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REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1990-1991

Report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 1990-1991 ended 31 December 1991*

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*This document has not been edited.

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SENIOR PRESIDENT

LETTER OF TRANSMITTAL

Sir,

I have the honour to present to the Industrial Development Board through the Programme and Budget Committee my report and audit opinion on the financial statements of the United Nations Industrial Development Organization for the financial period 1990-1991 ended 31 December 1991, which incorporate the financial statements of the Industrial Development Fund for the same biennial period.

For information purposes, I enclose also copies of my audit opinion on the statements showing, as at 31 December 1991, the status of funds advanced by the United Nations Development Programme to the United Nations Industrial Development Organization.

Accept, Sir, the assurances of my highest consideration.

[Signed]
Jeroom L.E. VAN de VELDE
Senior President of the Court of Audit,
Belgium
External Auditor

Enclosures

The President of the Industrial
Development Board
through the Chairperson of the
Programme and Budget Committee
UNIDO
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AUSTRIA

I. REPORT OF THE EXTERNAL AUDITOR ON THE ACCOUNTS OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION AND OF THE INDUSTRIAL DEVELOPMENT FUND FOR THE FINANCIAL PERIOD 1990-1991 ENDED 31 DECEMBER 1991

GENERAL

1. I have audited the accounts of the United Nations Industrial Development Organization (UNIDO) for the financial period 1 January 1990 to 31 December 1991 in accordance with Article XI of the Financial Regulations of the Organization and the "Additional terms of reference governing the audit of the UNIDO" appended thereto.

2. In view of the fact that the financial statements of the Industrial Development Fund (IDF) for the period from 1 January 1990 to 31 December 1991 have been incorporated in the UNIDO financial statements for the fiscal period ended 31 December 1991, the results of the external audit examination of the accounts and the activities of the IDF for the financial period under review have been included in the present report.

3. The audit was carried out by staff members of the Belgian Court of Audit at UNIDO Headquarters in Vienna and was performed in accordance with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency (IAEA).

4. Moreover, I have participated during the biennium 1990-1991 in the deliberations of the Panel of External Auditors of the United Nations and the audit team at UNIDO has maintained liaison with the Internal Auditors of the Organization.

5. The scope of my audit during the period 1990-1991 of the UNIDO accounts and activities included the following trust areas: budgetary, accounting and financial reporting procedures; procurement procedures including procurement for technical co-operation projects; the evaluation system of technical co-operation programmes and projects; a follow-up on developments regarding the Electronic Data Processing (EDP) system project of the Organization; internal audit procedures and activities; and, write-offs and cases of fraud.

6. On the subject of personnel management and staff costs we started in 1990-1991 an evaluation of the procedures followed by the Recruitment Services and the Human Resources Planning Unit. Due to time constraints on our side and delays in the replies of the Administration on the other hand, we could not complete this exercise in time for including the findings in this report. We intend to report on the subject in the external audit report on the accounts of the Organization for the fiscal period 1992-1993.

7. In line with established audit procedures the findings and conclusions contained in this report have been discussed by the audit team with senior officials of the Organization and their comments and observations have been taken into account where appropriate.

8. At the request of the Policy-making Organs of UNIDO, I have in addition, during the period 1990-1991, carried out special audit examinations and prepared separate reports on the following subject-matters:

(a) An in-depth examination of all aspects of the EDP system acquisition programme of UNIDO, in terms of conformity with or departure from financial propriety, procedural responsibility and fiscal management (cf. decision IDB.7/Dec.26 of 9 November 1990 and document IDB.8/3, PBC.7/3 of 25 February 1991);

(b) An updated follow-up review of the EDP system acquisition programme of the Organization (cf. decision IDB.8/Dec.36 of 6 July 1991 and document GC.4/50 of 21 October 1991);

(c) An external audit opinion on the allocation of any retained unutilized balances of regular budget appropriations of UNIDO to those original programmes that had been affected (cf. General Conference decision GC.4/Dec.15, paragraph (e), of 22 November 1991); and,

(d) External audit views and comments on the proposed paragraphs (d) and (e) of UNIDO financial regulation 4.1 (cf. General Conference resolution GC.4/Res.23, paragraph 2, of 22 November 1991).

9. Moreover, the General Conference in its resolution GC.4/Res.27, paragraph 8, of 22 November 1991, requested the Director-General in consultation with the External Auditor to review the appropriateness of the second sentence of financial regulation 5.1 and to report thereon through the Programme and Budget Committee and the Industrial Development Board to the General Conference at its fifth session. I wish to inform the Policy-making Organs that I exchanged views with the Secretariat on the subject again recently and that I was consulted by the Administration in particular regarding the outline of a draft report by the Director-General on this subject.

10. In line with the contents of the relevant parts of the present report, I shall report separately to the Governing Council of the United Nations Development Programme (UNDP) on the results of my audit of the accounts and activities of UNIDO as an Executing Agency of UNDP throughout the period 1990-1991. My audit opinion on the Statements showing the status of funds advanced to UNIDO by the UNDP and by UNDP administered trust funds as at 31 December 1991, has already been forwarded, as requested, to the latter Organization.

SUMMARY OF FINDINGS AND CONCLUSIONS

11. Our review of the UNIDO regular budget implementation during the fiscal period 1990-1991 indicated that the total amount of regular budget unliquidated obligations as at 31 December 1991 (i.e., $ 9,843,155) compares favorably with the corresponding figures for previous fiscal periods. The (provisional) unutilized balance of regular budget appropriations 1990-1991 as at 31 December 1991 (i.e., $ 5,633,094), however, represents 2.82 per cent of the revised (gross) appropriations. Moreover, we noted that the supplementary appropriation in the amount of $ 800,000 approved by the General Conference decision GC.4/Dec.15 of 22 November 1991, was not released for obligation by the Secretariat using the approved form of Programme Allotment Documents (PADs). We concluded from our review that neither the approval by the General Conference of a supplementary appropriation for 1990-1991 nor the approval by the Conference of the budgetary financing of the 1990-1991 regular budget "other income" shortfall have been effective from a budgetary and financial management viewpoint.

12. Our audit of the UNIDO regular budget "other income" budgeting, accounting and financial reporting procedures for the biennium 1990-1991 indicated that the Administration should continue streamlining the relevant procedures in order to ensure in particular: (a) Strict adherence in all circumstances to the stated budgetary and accounting policies; (b) Budgeting, accounting and general treatment of non budgeted "other income" in full compliance with the Financial Regulations and Rules of the Organization; and, (c) Full transparency of all Vienna International Centre cost-sharing, administrative services and conference services budgeting and accounting particulars under the new UNIDO "net basis" budgeting system.

13. In this respect we observed in particular that the shortfall in "other income" for the 1990-1991 biennium as reported to the Policy-making Organs (PMO) and on the basis of which the General Conference decided to authorize the use of the 1986-1987 unutilized balance of appropriations for financing the 1990-1991 regular budget resulted at least in some measure, directly and automatically, from the 1990-1991 regular budget appropriation redeployment exercise itself (redeployments from cost-shared to non cost-shared objects of expenditure (components)). In our view, this particular circumstance of the 1990-1991 redeployment exercise may not have been sufficiently clear to Member States.

14. As regards (other income) cost-sharing billing and accounting procedures we found that, contrary to the provisions of UNIDO financial rule 110.9 (accrual basis accounting) and the accounting policy stated in the Notes to the UNIDO financial statements (the income, expenditure, assets and liabilities are recognized on the accrual basis for accounting), Vienna International Centre (VIC) cost-sharing billing as well as regular budget income section accounting are done on the basis of disbursements.

15. We observed also that, under the terms of UNIDO financial regulation 10.2,(b),(iv), the amount approved by the General Conference for the financing of the shortfall in the 1990-1991 regular budget "other income" (by the use of the unutilized balance of appropriations from the 1986-1987 biennium) should have been reported as "other credits" on the 1990-1991 Status of appropriations as at 31 December 1991 (Financial Statement I). The General Conference decision has, nonetheless, been duly taken into account by the Secretariat for the preparation of UNIDO financial statement II (General Fund income, expenditure and surplus account).

16. We examined UNIDO General Fund schedule 1.2 "Major objects of expenditure by programme for the biennium 1990-1991 as at 31 December 1991" and we commented that, given the importance of the regular budget major objects of expenditure for budgetary control at the PMO level, these major objects of expenditure (amounts of the appropriations and expenditure) should in the future be clearly identified at all stages of the budgetary formulation, implementation and financial reporting process.

17. Since, moreover, in the case of the UNIDO regular budget, full disclosure of the biennial expenditure particulars necessarily includes information on the final expenditures by programme and by major object of expenditure, we advised that information particulars on the breakdown of savings on unliquidated obligations during the 12-month period following the biennium (by programme and by major object of expenditure) should in future also be provided to the PMO by means of a schedule attached to the performance reports submitted by the Director-General.

18. Given the new programme and budgets presentation format the question arises whether the existing mechanism for regular budget implementation control by the PMO under financial regulations 4.3, (b) and (c), (along major objects of expenditure lines) should not be better replaced by a PMO control mechanism along programmatic components lines.

19. Our examination indicated further that the "net basis" budget presentation format that has been used for the preparation and approval of the 1992-1993 regular budget of the Organization: (a) Extends beyond the scope of the net budget technique as defined and applied in the United Nations system; (b) Contravenes generally accepted basic principles of budgeting technique and procedure; (c) Is inconsistent with specific provisions laid down in the Financial Rules of the Organization; and, (d) Would probably require an adjustment of the budgetary monitoring, control and reporting procedures of the Secretariat.

20. Our examination of Accounts Payable disclosed that there are no written guidelines for registering in a ledger the financial claims and invoices from creditors upon their receipt in the UNIDO offices; thus the possibility exists that all claims may not be recorded in the balances as at 31 December 1991. The exercise revealed also that an amount of $ 286,794.74 has been recorded as account payable for "Maternity leave replacement" and that the equivalent of the refunds by the Austrian Social Security has been credited to this account. On our observation the Administration advised that all future recoveries of Maternity leave salaries would be utilized to provide temporary replacements and that the unspent amounts will be recorded as reserves rather than as accounts payable.

21. Our audit of the unliquidated obligations of the UNDP Operating Fund indicated that the share of unliquidated obligations in the total expenditures has slightly decreased since 1989. The exercise, however, revealed also that the prescribed procedures for carrying over unliquidated obligations at the end of the accounting period are still not completely adhered to. Moreover, we noted a backlog of approximatively nine months in the processing of Field Interoffice Vouchers at the time of our audit.

22. We appreciate that, in line with our recommendations regarding the presentation of a financial management control statement, the UNIDO financial report for 1990-1991, includes a schedule 3.3 "UNIDO General Fund Statement of sources and application of funds for the biennium 1990-1991 as at 31 December 1991".

23. We noted also that a revised cashflow analysis and forecasting format has been introduced by the Secretariat for the 1992-1993 biennium.

24. With regard to the treatment by the Secretariat of the Japanese regular budget assessed contribution for the calendar year 1991 we stressed that any departure from the provisions of Article 15 of the UNIDO Constitution and/or from the applicable Financial Regulations of the Organization pertains to the sovereign authority of the General Conference of UNIDO.

25. We noted that the tendering procedures followed by UNIDO's Contracts and Purchase Section and the relevant Financial Rules will be elaborated to offer better safeguards and more transparency. Moreover, new guidelines for formal bidding or calling for competitive proposals have been drafted.

26. Our follow-up review of the files submitted to the Committee on Contracts in 1990 and 1991 revealed that the response to quite a number of calls for proposals was still very poor. In this connection we noticed that steps have been taken to revitalize the Vendors Rosters and to update the Roster of Consultancy Firms.

27. Our examination of the files also showed a substantial number of observations made by the Committee on Contracts. In this regard we were informed that the issuance of guidelines for the preparation of cases presented to this Committee will be pursued actively.

28. Our audit furthermore disclosed quite a number of instances where purchases/contracts were awarded without calling for competitive proposals. For certain projects our examination of the validity of reasons put forward by Management for rejecting proposals was hindered due to the early discarding of the proposals.

29. As regards Technical Co-operation Activities we noted that Project Performance Evaluation Reports (PPER) are still not submitted in time by the field officers and that in 9.5 per cent of the submitted cases the processing time for analysis was exceeded.

30. In connection with Tripartite In-depth Evaluations we noticed that, as a result of the increased expertise of both UNIDO backstopping officers and of the evaluation staff the quality of evaluations has improved.

31. Our audit indicated that inadequate project design remains a very likely source of problems during implementation, resulting also in substantial increases in project expenditures.

32. In reply to our statements the Administration acknowledged the importance of the internal evaluation system as a management tool. It declared that regarding the problems of end users in Tripartite In-depth Evaluations it will draw the attention of all those concerned so that in the future more emphasis will be put on this important aspect.

33. Regarding the EDP programme non-staff costs we observed that the programme execution stayed within the approved revised appropriations.

34. We calculated that, through the renegotiation of the IBM related contracts a provisional cost reduction of $ 1,880,209 regarding the mainframe expenditures has been achieved for the period 1992-1994, compared with the original contracts. Pending the Organization's decision whether or not to purchase the mainframe and its ancillaries, the exact amount of that reduction will be known only by the end of the year 1993.

35. As a result of the changes to the IBM mainframe leasing contract the payment schedule was substantially modified. As a consequence of the modification financing costs increased, thereby causing the final mainframe hardware lease costs to be higher than under the original contract. This cost increase, however, is more than compensated by the cost reduction realized through the changes to the Facilities Management Contract and to the Software License Agreement which were negotiated as an integrated package.

36. From an evaluation of the Internal Audit Unit we noticed that the written Mandate of the Internal Audit functions and the authority of the Internal Audit Unit are still not formulated and communicated organization-wide. Where we consider that the Unit is performing relatively well, we observed a major weakness because the Unit does not review the adequacy of the (internal) controls which should be built into major new systems or procedures at the time these are designed. In our view this is mainly due to the fact that the Unit is understaffed. Therefore, we are of the opinion that Internal Audit should be staffed with at least three professional auditors and two assistants at G5 to G7 level having thorough knowledge of accounting and basic audits methods.

37. Since we received the new UNIDO draft finance manual only at the time when we were finalizing the present report, the external audit comments on this final draft, requested in conclusion 1991/2, (d), of the Programme and Budget Committee, cannot be presented earlier than to the ninth regular session of the Committee.

BUDGETARY, ACCOUNTING AND FINANCIAL REPORTING PROCEDURES

Regular budget implementation

38. We noted that the supplementary appropriation in the amount of $ 800,000, approved by General Conference decision GC.4/Dec. 15 of 22 November 1991, was not released for obligation by the Secretariat using the approved form of PADs.

39. The Administration explained in this regard that it is correct that the PADs were not increased to incorporate the supplementary appropriation of $ 800,000. According to the Administration this oversight did not, however, result in a reduced level of financial implementation as the $ 800,000 related to common staff costs which, as staff entitlements, are not controlled solely by the availability of funds. The expenditures on common staff costs exceeded the PADs by $ 296,400 and the remainder of the supplementary appropriation becomes part of the unspent appropriation for 1990-1991.

40. Our review indicated furthermore that the total amount of regular budget unliquidated obligations for the biennium 1990-1991 as at 31 December 1991 (i.e., $ 9,843,155 or 5.08 per cent of the total expenditures) compares favorably with the corresponding figures for previous fiscal periods ($ 16,997,057 or 9.81 per cent of the expenditures for the biennium 1988-1989 and $ 10,169,712 or 7.56 per cent of expenditures for the biennium 1986-1987) (cf. the external audit observations in respect of the fiscal period 1988-1989 in paragraphs 53-62 of document IDB.7/11 PBC.6/15 of 21 May 1990).

41. Nonetheless, the (provisional) unutilized balance of regular budget appropriations for the fiscal period 1990-1991 as at 31 December 1991, stands at $ 5,633,094 or 2.82 per cent of the revised (gross) appropriations. This compares unfavourably with the corresponding figures for the 1988-1989 (i.e., $ 731,292 or 0.42 per cent of the appropriations) and 1986-1987 (i.e., $ 361,147 or 0.28 per cent of the appropriations) bienniums.

42. We concluded and the Administration agreed that the non utilization of the regular budget appropriation for 1990-1991 arose due to, in order of importance, the following factors:

(a) Cash flow difficulties through late payment and uncertainties on actual amounts of assessed contributions which could be expected. This uncertainty led to reduced expenditures under almost all objects of expenditure and resulted in particular in the continued maintenance of higher than budgeted vacancy factors leading to reduced staff costs;

(b) Approval by the General Conference of a supplementary appropriation, of the transfer of regular budget expenditure proposals and of the financing of the regular budget other income shortfall being made in November 1991; and,

(c) The 15 per cent appropriation reservation decision of the PMO.

43. The Administration added that, in addition, the Secretariat attempted to ensure that sufficient cash balances remained at 31 December 1991 to meet the unliquidated obligation balances for 1990-1991.

44. In view of the size of the unutilized balance of regular budget appropriations for 1990-1991 as at 31 December 1991, we are of the opinion that neither the approval by the General Conference of a supplementary appropriation for 1990-1991 nor the approval by the Conference of the budgetary financing of the 1990-1991 regular budget "other income" shortfall have been effective from a budgetary and financial management viewpoint.

UNIDO regular budget "other income" for the 1990-1991 biennium

45. As part of our audit of the UNIDO accounts for the biennium 1990-1991, we examined the administrative, budgetary, accounting and financial reporting procedures of the Secretariat in respect of the regular budget "other income" section.

46. The budgetary and accounting information data for 1990-1991 with regard to this "other income" can be summarized as follows (Tables 1A and 1B):

47. In this regard, we inquired in particular:

(a) How the original 1990-1991 estimate for the other income "Conference Services" item had been calculated by the Secretariat; and,

(b) How the shortfall in actual other income for 1990-1991 in general can be explained.

48. The Administration explained that when United Nations (UN) units moved to Vienna in 1979, additional funds were needed for Conference Services to meet the increased requirements resulting therefrom. The additional funds were allocated under Section 29 of UN's Regular Budget, while the resources allocated to UNIDO remained at Section 17 of UN's Regular Budget. When UNIDO became a specialized agency in 1986, Meetings Planning and Interpretation Services became a joint service administered by UN and the corresponding funds were transferred to UN's Budget, while UNIDO kept funds covering its estimated share under the object of expenditure codes "Contributions to Joint Meetings Planning and Interpretation Services". Language and Documentation Services became a joint service administered by UNIDO, but no adjustments were made in the budgets of the two organizations pending the outcome of negotiations between the three Vienna-based organizations concerning a unified UN/UNIDO/IAEA Conference Service in Vienna. Consequently, UNIDO does not have a gross budget covering the total expenditures of the services and a corresponding income from UN. The services are financed from two sources of funds allocated to the UN and UNIDO respectively.

49. As for the 1990-1991 estimates of income in particular they were based on the separate UN and UNIDO estimates of expenditure for the 1990-1991 biennium. The shortfall can be explained in that the total gross cost of the language and documentation services was in the case of the UN in excess of the original estimates. UNIDO costs were lower for 1990 - 1991 than budgeted, in particular under temporary assistance for meetings. Vacancies under the established posts of UNIDO's regular budget had to be compensated by increased use of temporary assistance for meetings. Since the work for the UN mainly consists of documentation for meetings with tight deadlines, most of the costs under temporary assistance for meetings are attributable to the UN and were therefore charged to a suspense account rather than UNIDO's regular budget thus having a negative impact on UNIDO's income. Although the overall percentage share applicable to the two organizations did not vary materially, the combination of the above-mentioned determining factors resulted in a shortfall under UNIDO's income.

50. Moreover, VIC cost-sharing income includes reimbursement of Buildings Management costs, administrative service costs related to UNOV and language training costs.

51. Reimbursement for the administrative service costs was budgeted at $ 1,885,100 at the rate of exchange of 12.90 ($ 2,107,300 at AS 11.54). This was on the assumption that ongoing negotiations between United Nations Office at Vienna (UNOV) and UNIDO would establish the new reimbursement levels at the above figure. The negotiations were concluded only recently and new reimbursement levels will be applicable to 1992-1993. For 1990-1991, the income remained at the levels agreed with the UN in 1985. The shortfall in VIC cost-sharing "other" can thus be presented as follows:

Total VIC cost-sharing "other"	$ 2,878,300
Less: Administrative Services (UNOV) shortfall	$ 1,376,000
Other VIC cost-sharing	$ 1,502,300

52. We concluded from the Administration's explanation that the shortfall in other income for 1990-1991 as reported to the PMO and on the basis of which the General Conference decided to authorize the use of the 1986-1987 unutilized balance of appropriations for financing the 1990-1991 budget (cf. decision GC.4/Dec.15, paragraph (c),(ii)), resulted in considerable measure, directly and automatically, from the 1990-1991 regular budget appropriation redeployment exercise itself (redeployments from cost-shared to non cost-shared objects of expenditure (components)). In our view, this particular circumstance of the 1990-1991 regular budget redeployment exercise may not have been sufficiently clear to Member States and we therefore sought clarification on the subject.

53. The Administration replied that for the 1990-1991 biennium appropriations and allotments for "UNIDO only" and "total cost-sharing" components were not shown separately. Starting with the 1992-1993 biennium budget "UNIDO only" costs are controlled separately under subprogramme 845 - Office of the Director, General Services Division. Those relating to "total cost-sharing" components of UNIDO regular budget are grouped under subprogramme 843 - Buildings Management. Therefore, discrepancies between projected and actual respective shares of these two categories should not arise in the future. Meanwhile, in the absence of a breakdown in the 1990-1991 appropriations by cost-shared and non cost-shared activities in the gross

TABLE 1A

UNIDO - GENERAL FUND
REGULAR BUDGET INCOME SECTION
BIENNIUM 1990 - 1991

(In thousands of US dollars)

(a)	approved estimates at US$ 1 = AS 12.90 (Doc. GC.3/10/Rev.1) (b)	approved estimates at US$ 1 = AS 11.54 (c)	actual income as at 31 December 1991 (d)	(d) - (c) (e)
BUDGETED INCOME				
Bank interest	1,608.0	1,749.8	1,424.6	(325.2)
Income from sales public.	106.4	106.4	131.8	25.4
Income from VIC cost-sharing activities				
- Conference Services	4,505.0	4,952.4	3,037.5	(1,914.9)
- other	17,544.0	19,611.6	16,733.3*	(2,878.3)
Sub-total budgeted income	23,763.4	26,420.2	21,327.2	(5,093.0)
NON BUDGETED INCOME				
Refund of expenditure (prior biennium)			651.2	651.2
Sale of used equipment			8.6	8.6
Miscellaneous			112.3	112.3
Gain on exchange			583.1	583.1
Sub-total non budgeted income			1,355.2	1,355.2
GRAND TOTAL	23,763.4	26,420.2	22,682.4	(3,737.8)

TABLE 1B

UNIDO - GENERAL FUND
REGULAR BUDGET INCOME SECTION
BIENNIUM 1990 - 1991

(In thousands of US dollars)

		GC.3/10/Rev.1 AS 12.90	GC.3/10/Rev.1 AS 11.54	PBC.7/15 1990: AS 11.43 1991: As 10.40	GC.4/47 AS 11.56	Actual income 1990-1991
1.	BUDGETED INCOME					
1.1	Sales of publications	106.4	106.4	222.4	106.4	131.8
1.2	Other					
1.2.1	Bank interest	1,608.0	1,749.8			1,424.6
1.2.2	Other					
1.2.2.1	VIC cost-sharing	17,544.0	19,611.6			16,733.3*
1.2.2.2	Conference Services	4,505.0	4,952.4			3,037.5
S/T	1.2.2	22,049.0	24,647.5			19,770.8
S/T	1.2	23,657.0	26,313.8	24,282.2	26,276.5	21,195.4
S/T	1.	23,763.4	26,420.2	24,504.6	26,382.9	21,327.2
NON BUDGETED INCOME S/T						1,355.2
TOTAL INCOME		23,763.4	26,402.2	24,504.6	26,382.9	22,682.4

* Represented by:

$ 7,818,241	:	BMS staff
$ 7,258,110	:	non-staff
$ 925,673	:	language training
$ 731,276	:	administrative costs charged to UNOV
$ 16,733,300		

appropriations, no strict delineation was followed in the financial implementation.

54. As regards the net "other income" effects of the 1990-1991 redeployment exercise, the Administration advised that the text accompanying the 1990-1991 performance report to be submitted to the Programme and Budget Committee in 1992 will include information on the income shortfalls relating to Conference Services and VIC cost-sharing and administrative services.

55. As for (other income) cost-sharing billing and accounting procedures we found that, contrary to the provisions of UNIDO financial rule 110.9 (accrual basis accounting) and the accounting policy stated in the Notes to the UNIDO financial statements (the income, expenditure, assets and liabilities are recognized on the accrual basis of accounting), VIC cost-sharing billing as well as regular budget income section accounting are done by UNIDO on the basis of regular budget DISBURSEMENTS.

56. The Administration confirmed that the VIC cost-sharing billings are made on the basis of disbursements and explained that when the Organizations first moved into the VIC, attempts were made to bill IAEA and United Nations Relief and Works Agency for Palestinian Refugees in the Middle East (UNRWA) on the basis of expenditure, i.e. disbursements plus obligations. This was rejected, particularly by IAEA, who insisted that billings could only be on the basis of disbursements. An attempt was then made to accrue income which was to be expected on the basis of valid obligations at the end of the biennium and to adjust in the following year on the basis of disbursements/collections. However, in the view of the unfavourable staffing situation in Accounts and Payments Section (APS), the Administration had to set priorities and decided to concentrate on the recovery of the cash paid on behalf of other agencies rather than to establish a complicated accounting system involving a time consuming reconciliation exercise. These priorities have remained unchanged.

57. The Administration stated further that prompt billing and recovery of cash disbursed have continued to take precedence. The change in recording of cost reimbursement income as a result of the net budgeting control process however will make it possible in the future to identify recoveries and relate them to the biennium to which they pertain and report them as such in the financial statements.

58. That the accruing of income on the basis of unliquidated obligations at the end of biennium is likely to mislead Member States is evidenced, according to the Administration, by the following figures relating to VIC cost-shared expenditures for 1986-1987 and 1988-1989:

	1988-1989 US $	1986-1987 US $
Obligations established	1,903,804	3,048,783
Disbursements	1,641,269	2,222,225
Savings	262,535	826,558

59. Our audit of the UNIDO regular budget "other income" budgeting, accounting and financial reporting procedures for the biennium 1990-1991 indicates in our view that the Administration should continue streamlining the relevant procedures in order to ensure in particular:

(a) Strict adherence in all circumstances to the stated budgetary and accounting policies;

(b) Budgeting, accounting and general treatment of non budgeted "other income" in full compliance with the Financial Regulations and Rules of the Organization; and,

(c) Full transparency of all VIC cost-sharing, administrative services and conference services budgeting and accounting particulars under the new UNIDO "net basis" budgeting system.

Regular budget "other credits"

60. With regard to the presentation format of UNIDO General Fund financial statement I "Status of appropriations for the biennium 1990-1991 as at 31 December 1991", we call attention to UNIDO financial regulation 10.2 (b), (iv), which stipulates that "the Director-General shall prepare and submit final accounts for each fiscal period showing its status of appropriations, including: ... credits, if any, other than the appropriations voted by the Conference."

61. Since the amount, approved by the General Conference (cf. decision GC.4/Dec.15, paragraph (c), (ii), of 22 November 1991), for the financing of the shortfall in the 1990-1991 other income (by the use of the unutilized balance of appropriations from the 1986-1987 biennium), constitutes a regular budget credit in the sense of financial regulation 10.2 (b), (iv), an amount of $ 3,577,386 should have been recorded as "other credits" on statement I, and should also have been taken into account for the calculation and presentation of the statement I balance of appropriations (Total A - B: $ 5,633,094)). The General Conference decision GC.4/Dec.15, paragraph (c), (ii), has, nonetheless, been duly taken into account by the Administration for the preparation and presentation of UNIDO General Fund financial statement II "Statement of income, expenditure and surplus account."

Appropriations and expenditure by major objects of expenditure

62. We examined UNIDO General Fund schedule 1.2 "Major objects of expenditure by programme for the biennium 1990-1991 as at 31 December 1991" and we commented that:

(a) The amounts of the appropriations specifically by major objects of expenditure used in schedule 1.2 have not been provided in the approved programme and budgets for 1990-1991;

(b) The major objects of expenditure used in schedule 1.2 did not appear in the documents submitted to the PMO in connection with the approval of the regular budget redeployment proposals (transfer of expenditures) for 1990-1991;

(c) In the light of the applicable financial regulations (regulation 3.4 - Form of the budget; and regulation 4.3 - Transfer of expenditures)

schedule 1.2 is apparently incomplete to the extent that no comparison is provided between the appropriations by major objects of expenditure and the actual expenditures; and,

(d) In our view, the EDP programme of the Organization and the regular programme for technical co-operation (RPTC) should have been treated and reported as separate major objects of expenditure of the 1990-1991 regular budget.

63. The Administration stated that the major objects of expenditure used in schedule 1.2 follow the presentation for prior biennia and is based on the groupings used by the UN for major objects of expenditure. Moreover, major objects of expenditure were shown in Annex VII to GC.3/10/Rev.1 but were presented by (individual) object of expenditure in Table 4 of the same document. Document GC.4/47 (1990-1991 redeployment proposals) did not present major objects of expenditure but followed the presentation included in Table 4 of document GC.3/10/Rev.1.

64. The Administration argued further that UNIDO General Fund schedule 1.2 is a presentation of the actual costs for the biennium by department and by major object of expenditure. The comparison with appropriations is presented at the more detailed level (by objects of expenditure) for UNIDO as a total in the final financial performance report. In future, UNIDO should present this financial performance report by major object of expenditure and by major programme/department. As for EDP and the RPTC, they were not considered, prior to the 1992-1993 budget cycle, as major objects of expenditure and the Administration does not believe that schedule 1.2 for 1990-1991 accounts should show these expenditures as separate major objects of expenditure. The final financial performance report will, however, indicate EDP expenditures and RPTC expressed as separate objects of expenditure.

65. Given the importance of the regular budget major objects of expenditure for budgetary control at the PMO level, we advise that from now on these major objects of expenditure (amounts of appropriations and expenditures) should be clearly identified at all stages of the budgetary formulation, implementation and financial reporting process.

66. Meanwhile, we wish to provide to the PMO additional information on the subject as follows (see table 2).

Reporting to the PMO on the amounts of the final regular budget expenditures by programme and by major object of expenditure

67. In its conclusion 1987/19, paragraph (j), the Programme and Budget Committee (PBC) has requested the Director-General of UNIDO to submit each year to the Board through the PBC a clear and detailed financial performance report itemizing the utilization of financial resources, as well as a programme performance report describing the level of programme implementation.

68. Our audit indicated in this regard that the information for the PMO of the Organization on UNIDO regular budget expenditures consisted so far of:

- On the one hand, the amounts of the expenditures by programme and by major object of expenditure for the first 12-month period and for the 24-month period of the biennium; and,

- On the other hand, a single (global) amount for the savings on the liquidation of obligations during the 12-month period following the biennium (see table 3)

69. In our view, it is clear that full disclosure by the Secretariat of the expenditure particulars for each biennium is essential for the purpose of control and policy formulation at the PMO level. In the case of the UNIDO regular budget, however, full disclosure of the biennial expenditure particulars necessarily includes information on the final expenditures by programme and by major object of expenditure. Since so far, a breakdown of the savings on unliquidated obligations during the 12-month period following the biennium (by programme and by major object of expenditure) has not been provided to the PMO by the Secretariat, it follows in our opinion that the PMO have not fully been informed in this respect to date.

70. The Administration did not agree that a weakness exists in the financial performance reporting procedures in respect of savings on unliquidated obligations since such savings are properly disclosed in the interim financial performance reports in the second year of the subsequent fiscal period. The Administration agreed, nevertheless, that it would be possible to prepare a schedule of such savings by major programme and by major object of expenditures as an attachment to the financial performance report and programme performance report submitted to the PBC during the second year of the subsequent biennium. The first such report could be issued to the PBC in 1993 for the 1990-1991 biennium.

71. We, therefore, advise that this financial performance reporting procedure should be implemented in future by the Secretariat. Given the general importance of these financial data and also in the light of the specific issue of the allocation of any retained unutilized balances of regular budget appropriations to those original programmes that had been affected (cf. General Conference decision GC.4/Dec.15 of 22 November 1991 and our special report to the PBC on the subject), we wish to provide to the PMO the following data with regard to the biennium 1988-1989 (table 4).

General consideration on the modalities of PMO budgetary control

72. Budgetary implementation control by the PMO on the regular budget of the Organization is basded primarily on "major objects of expenditure" categories (cf. UNIDO financial regulation 4.3).

73. However, in its decision IDB.7/Dec.11 of 9 November 1990 (Review of the format of the programme and budgets, annual report and financial statements), the Board approved a new format of future programme and budgets of the Organization and requested the Director-General to present the draft budget for the biennium 1992-1993 in the proposed format.

TABLE 2

UNIDO REGULAR BUDGET
STATUS OF APPROPRIATIONS BY MAJOR OBJECT OF EXPENDITURE
FOR THE BIENNIUM 1990-1991 AS AT 31 DECEMBER 1991

(In thousands of US dollars)

Major object of expenditure	Original appropriations GC.3/10/Rev.1 at $1=AS 11.54	Revised appropriations GC.4/Dec.15 at $1=AS 11.54	Disbursements	Unliquidated obligations	Total expenditure (d)+(e)	Balance of appropriations (c)-(f)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Salaries, other personnel costs	141,769.0	140,828.6	133,920.9	3,438.8	137,359.7	3,468.9
Travel	4,121.2	3,934.8	3,144.1	392.8	3,536.9	397.9
Contractual services	1,623.4	774.1	646.3	59.3	705.6	68.5
Operating expenses	22,761.2	30,209.4	26,232.6	2,812.5	29,045.1	1,164.3
Acquisitions	1,569.7	1,332.6	796.4	300.8	1,097.2	235.4
Premises, fellowships, grants, other	26,992.9	22,557.9	19,260.5	2,838.9	22,099.4*	458.5
TOTAL	198,837.4	199,637.4	184,000.8	9,843.1	193,843.9	5,793.5

* including $ 10,273,000 for RPTC expenditures (i.e. disbursements: $8,218,766 and unliquidated obligations: $ 2,054,234).

NOTE: for the EDP programme see paragraphs 153 - 180 of the present report.

TABLE 3

UNIDO - GENERAL FUND
REGULAR BUDGET EXPENDITURES

(In thousands of US dollars)

	Regular budget expenditures as at 31 December of the second year of the biennium			Reported savings on liquidation of obligations during the 12-month period following the biennium	Final regular budget expenditure for the biennium
	Disbursements	Obligations	Total		
(a)	(b)	(c)	(d)	(e)	(f)
1986-1987	124,283.5	10,169.7	134,453.2 (1)	3,687.2 (1)	130,766.0
1988-1989	156,345.8	16,997.0	173,342.8 (2)	1,876.9 (2)	171,465.9
1990-1991	184,000.8	9,843.2	193,843.9		

(1) PBC.4/12 (1) PBC.5/12
(2) PBC.6/15 (2) PBC.7/16

TABLE 4

UNIDO GENERAL FUND
Status of appropriations for the biennium 1988-1989
as at 31 December 1990

(In United States dollars)

Programme	Balance of appropriations as at 31/12/1989	Savings on liquidation of obligations in 1990	Balance of appropriations as at 31/12/1990
Policy-making Organs	62,241	9,468	71,709
Executive Direction and Management	435,326	96,865	532,191
Programme & Project Development	391,045	189,060	580,105
Industrial Promotion, Consultations and Technology	565,898	232,831	798,279
Industrial Operations	476,020	823,012	1,299,032
External Relations, Public Information, Language and Documentation Services	460,672	122,561	583,233
Administration	426,583	403,120	829,703
	2,817,785 a/	1,876,917 b/	4,694,702

a/ Statement I as at 31 December 1989

b/ Statement II as at 31 December 1990

74. It is our understanding that this new programme and budgets presentation format responds to the PMO request for a more programmatic presentation, inter alia, by giving a clear indication of the priorities and common themes addressed by each subprogramme.

75. In the circumstances, the question arises whether the existing mechanism for regular budget implementation control by the PMO under financial regulations 4.3(b) and (c) (along major objects of expenditure lines) should not be better replaced by a PMO control mechanism along budgetary programmes and subprogrammes lines.

76. A change might be indicated in this regard also in the light of:

(a) The unsatisfactory functioning in practice of the major objects of expenditure control mechanism to date (unclear definition of major objects of expenditure in the approved budget; presentation of redeployment proposals by (individual) objects of expenditure rather than by major objects of expenditure; and, omission in the financial report (statements) of a comparison of regular budget expenditure with the appropriations by major objects of expenditure); and,

(b) The implementation requirements of the PMO request for an effective regular budget cost control system with regard to the regular budget contribution to the operational budget of the Organization (cf. also the external audit report on the proposed paragraphs (d) and (e) of UNIDO financial regulation 4.1).

77. On our queries, the Administration affirmed that efforts will be sustained in order to accurately reflect each organizational component's responses to medium-term plan priorities, in order to fortify the programmatic component of the programme and budgets. Moreover, the Administration supported our conclusion that PMO controls should be exercised in accordance with resource allocations to programmatic components rather than objects of expenditure. However, the control should not be at a level lower than that of a major programme in order to allow a certain degree of flexibility in terms of resource management.

78. We advise that the Administration be requested to review further this issue and to report to the PMO on the findings and conclusions (possible amendments to the UNIDO Financial Regulations).

UNIDO "net basis" budget presentation format

79. As part of our audit of the activities of UNIDO during the period 1990-1991, we reviewed the drafting and approval procedures in respect of the programme and budgets of the Organization for the biennium 1992-1993.

80. We noted in this regard that, in line with decision IDB.7/Dec.11 of 9 November 1990, a so-called "net basis" budget presentation format has been used for the regular budget appropriations and income estimates, submitted by the Secretariat and approved by the General Conference (cf. resolution GC.4/Res.27 of 22 November 1991) for the 1992-1993 biennium.

81. Our examination indicated that this "net basis" budget presentation format:

(a) Extends beyond the scope of the net budget technique as defined and applied in the United Nations' system (cf. CCAQ glossary of financial and budgetary terms: "Net budgeting (Staff Costs): The form of budgeting in which staff costs are estimated on the net basis, i.e. exclusive of staff assessment");

(b) Contravenes generally accepted basic principles of budgeting technique and procedure underlying also the financial regulations of the Organization, and in particular:

(i) The universality of the budget requiring that all transactions with third parties and with a financial outcome should be included in the budget (appropriations and approved income estimates) (cf. financial regulation 3.2);

(ii) The speciality of the budget requiring that all expenditure and income be clearly identified and budgeted separately (cf. financial regulation 3.4); and,

(iii) The strict and formal legislative nature of the budget implying that all activities and transactions of the Organization must be covered by explicit authorization (financial regulation 4.1(a): "Approval by the Conference of the programme and corresponding regular budget shall constitute an authorization to the Director-General to incur obligations and to make payments for the purposes thus approved and within the appropriations approved therefore");

(c) Is inconsistent with several specific provisions laid down in the financial rules of the Organization: rule 103.1 (gross basis budget estimates); rule 106.4 (miscellaneous income); rule 106.5 (refunds of expenditures); rule 106.6 (exchange adjustments); rule 110.7 (exchange of currencies); rule 112.2 (provision of goods and services to others); and, rule 112.3 (accounting for goods and services provided to others); and,

(d) Would probably require an adjustment of the budgetary monitoring, control and financial reporting procedures of the Secretariat.

82. On our queries, the Secretariat explained that the net basis budget as presented to Member States has the great advantage of ensuring that the cost of the programmes and operational and administrative support of UNIDO are not distorted by the administrative costs which arise from the Organization providing cost-shared services (mostly in buildings management and for language and documentation services) to other organizations in the VIC. Detailed information on the gross and net costs of cost-shared activities was presented in annex J to the Programme and Budgets (GC.4/42).

83. Notwithstanding the above, the Secretariat informed us that ongoing discussions are being held within the Organization on the most appropriate course of action to meet our concerns. The Secretariat agreed in particular that a solution to the problem must be found in order to avoid difficulties in the preparation of the financial statements for the 1992-1993 biennium and the budget proposals for 1994-1995. The Secretariat is therefore considering presenting to the upcoming session of the PBC a paper on this subject outlining a possible alternative approach to allow for full compliance with the Financial Regulations and Rules of the Organization.

84. In our view such an alternative approach in future is acceptable from a legislative viewpoint if:

(a) The regular budget appropriations are presented also on a gross basis in the General Conference programme and budgets resolution;

(b) The financial reporting procedures always provide a clear and direct link between the expenditures and these "gross basis" appropriations; and,

(c) The regular budget "other income" items such as refunds of expenditures (prior biennium), sale of used equipment, miscellaneous income, net gains on exchange, etc. that are recognized as legitimate "other income" categories but for which there is no basis on which to estimate income in advance, are mentioned explicitly in pro forma entries in the approved budget.

Accounts Payable

85. We examined the system of registering the accounts payable and found that the possibility exists that some invoices and financial claims from creditors outstanding as at 31 December 1991 may not be recorded in the reported balances.

86. On our queries, the Secretariat explained that an account payable is only established right after the end of the biennium, when the accounts are still open and certifying officers submit to the Accounts and Payment Section invoices for supplies exceeding the established obligation or for which no obligation had been established before. This is usually done up to the third accounting cut-off to ensure inclusion of such amounts in the accounts of the financial period to which they pertain.

87. With reference to generally accepted accounting principles and in order to serve the needs of financial control and management information, we consider that a more appropriate accounting system for outstanding liabilities should be established. As a minimum requirement all claims of creditors should be registered in a ledger immediately upon their receipt (in UNIDO offices). We recommend that the EDP and Office Automation Service should be involved in the implementation of such control registration system.

88. Our audit also revealed that an amount of $ 286,794.74 has been recorded as account payable for "maternity leave replacement" and that the equivalent of payments made by the Austrian Social Security for personnel on maternity leave has been credited to the aforementioned account.

89. On our observation the Secretariat argued that while the Organization has insufficient funds to meet either additional temporary assistance requests or temporary assistance for maternity, the recoveries of the salaries could be used specifically to provide staff replacement during the period of such maternity leave. It stated, however, that until now it did not utilize the amounts credited to the account concerned for these purposes but that in future the funds should be used for maternity leave replacements.

90. Irrespective of the Administration's intention to utilize the funds solely for maternity leave replacements we observed that the unspent amounts should be recorded as reserves rather than as an Accounts Payable. The Administration agreed with our observation.

Unliquidated obligations - UNDP Operating Fund

91. The guidelines specifying the applicable accounting principles for recording unliquidated obligations are set forth in the notes to the accounts for the year 1991 (cf. note 1,h).

92. Though the share of unliquidated obligations in the total expenditures for the current year has slightly decreased since 1989, the total amount of unliquidated obligations can nevertheless be considered as rather high (see table 5).

93. For purchases of equipment and supplies, where the issuance of a purchase order is already treated as expenditure even when delivery has not yet taken place, a significant amount of unliquidated obligations is understandable. Equally, the remuneration of consultants expressed in a lump sum, as well as travel and group training started prior to the end of the calendar year and continuing into the following year may create unliquidated obligations.

94. However, for personnel services, subcontracts and fellowships unliquidated obligations should normally be exceptional. Pursuant to the aforementioned note to the accounts these costs should indeed be charged to the period in which the services are rendered, the payments are scheduled or the study takes place. Nevertheless, as is evidenced in schedule 3 to statement I of the operating fund of UNDP, 49 per cent of the total expenditure for personnel costs consists of unliquidated obligations. For subcontracts this percentage is 41 per cent.

95. From a sample survey we learned that with respect to subcontracts some recorded obligations were even not in line with the contractual payment schedule but were carried forward on the basis of the estimated time schedule established at the time the purchase order was issued; this estimated time schedule sometimes exceeds the final contractual schedule with several months. In other cases the payment schedule of the purchase order was not in conformity with the contractual stipulations; we even noticed that for some cases APS omitted to reconcile the accounting records with the final contractual terms.

96. Furthermore we noted that for services of subcontracts to be rendered in December 1991 the related payments were scheduled for the current year. Taking into account that the procedure for acceptance of services and approval of expenditures could normally not be completed before year-end, this procedure does not comply with the applicable guidelines.

97. Financial Services did not reply to our specific observations since the Division considered that these observations should have been addressed to the responsible organizational units.It indicated also that instructions for the closure of the accounts and review of outstanding obligations are distributed within Financial Services, to all Certifying Officers, Administrative Assistants, the DDG/DIO, Chiefs DA/GS/PUR, Head IO/OS/PRAS, and the Chief DA/MISD. It added that the certifying officers are provided quarterly with reports including the outstanding obligations for which they are responsible. They are requested to review them and to confirm their validity or cancellation if they are no longer required; and in Management's opinion the responsibilities of APS being paying, recording and reporting, are thus discharged.

98. In this regard we want to point out that in conformity with financial regulation 9.1,(i), the Director-General shall establish detailed financial rules and procedures in order to ensure the effective financial administration , meaning the correctness of the accounting treatment of the financial transactions in compliance with the accounting policies and practices as set forth in the notes to the financial statements.

99. Through this audit exercise we found also that there is a substantial delay in the processing of the Field Inter Office Vouchers

TABLE 5

UNDP Operating Fund
Status of expenditures, 1989-1991
(in US dollars)

Year	Unliquidated obligations	Expenditure	Percentage
1989	33,193,764	90,188,554	36.8
1990	39,829,606	108,631,267	36.7
1991	30,813,579	86,876,391	35.5

(FIOV). Computer print-outs of the subsidiary ledger system showed a substantial increase in the value of the FIOV to be processed at year-end; $ 7.3 million as at 31.12.1989; $ 16.1 million as at 31.12.1990; and, $ 27.7 million as at 31 December 1991. We even noticed that FIOV received in February 1991, were still not processed at the end of 1991. Because in a smooth working system such delays are unacceptable we recommended that every effort should be made to process all FIOV as promptly as possible.

100. The Administration recognized that a high value of unprocessed Inter Office Vouchers resulted in a proportionately high amount of unliquidated obligations (approximately 60 per cent) and thus makes it extremely difficult to carry out an adequate obligation review. It indicated that the backlog of approximately nine months in processing charges from field offices, covering UNDP and other sources of funds is a result of the extreme shortage of staff in the unit handling these charges. In order to alleviate the backlog situation, one staff member was redeployed to the FIOV unit as of 1 April 1992 and another will be recruited on a temporary basis as of May 1992. It can thus be expected that processing of FIOV can be expedited towards the end of 1992.

101. We will follow up on this matter in due course.

Financial management control statement technique

102. On the subject of accounting and financial reporting the Financial Regulations and Rules of the Organization, inter alia, stipulate that: (a) The Director-General shall prepare and submit such other information as may be appropriate (financial regulation 10.2 (c) (iii)), and such other statements and such other supporting schedules as may be required (financial rule 110.4 (a) (vi) and (vii)); and, (b) The External Auditor shall be provided with such other statements as the Auditor may require (financial rule 110.11 (iii)).

103. We observed in this regard that UNIDO had not prepared and submitted as part of its financial reports for the fiscal periods 1986-1987 and 1988-1989 a financial management control statement or schedule (French: "Compte de gestion").

104. Since such a financial management control statement is designed to demonstrate the conformity of all transactions recorded in the accounting system during a given period, the preparation and submission of such a statement gives the Governing Bodies of an organization or institution additional assurance - by means of a conveniently arranged and comprehensible format - with regard to the effective application of accounting and cash management monitoring and control procedures throughout the accounting period.

105. We, therefore, inquired whether the Administration could include such a financial management control statement in future with the financial reports of UNIDO. The Administration agreed with our proposal regarding the financial management control statement technique but indicated that "a statement of sources and application of funds" would meet better the requirement within the framework of its present accounting system.

106. We note with appreciation that the UNIDO financial report for the 1990-1991 biennium ended 31 December 1991, thus includes a schedule 3.3 "UNIDO General Fund Statement of sources and application of funds for the biennium 1990-1991 as at 31 December 1991".

CASH MANAGEMENT

Cashflow analysis format

107. We appreciate that in line with our comments and following discussions with UNIDO Treasury Section, a revised cashflow analysis and forecasting format has been introduced by the Secretariat for the 1992-1993 biennium (cf. document GC.1/47 of 7 October 1991).

Treatment by the Administration of the Japanese regular budget assessed contribution for the calendar year 1991

108. We noted that the Japanese underpayment in July and November 1991 with regard to its regular budget assessed contribution for the calendar year 1991 (amounting to $ 81,911 or AS 795,530 and $ 10,882) has been deducted by the Administration, at the time of the closing of the accounts for the fiscal period 1990-1991, from the interest earned on regular budget funds. The accounts were thus finalized showing a zero balance for the 1991 Japanese regular budget assessed contribution while an explanatory footnote on the subject was added to Schedule 3.1 "Status of assessed contributions".

109. On our queries, the Administration explained that the Organization was facing financial difficulty during the period. The Director-General therefore requested the Government of Japan to pay the Austrian Schilling portion of its assessment earlier than the date the Government proposed. The Director-General accepted this payment on an exceptional basis in order to avoid a cash deficit. His action was taken in the best interest of the Organization bearing in mind that UNIDO has no authority to borrow funds and its Working Capital Fund is practically depleted. Consequently, the Director-General felt morally obligated to agree to the terms of payment the Government of Japan proposed, but the Secretariat hopes that this action does not set a precedent although late payments of assessed contributions by Member States put the Organization in a financial bind and hamper programme outputs.

110. In our opinion, any departure from the provisions of Article 15 of the Constitution of the Organization (assessed contributions) and/or from the UNIDO financial regulations on assessment, collection, crediting or write-off of contributions (regulations 5.1 (a), (c) and (d), 5.5 (b) and (e), and 9.4) pertains to the sovereign authority of the General Conference of the Organization and, consequently, requires a formal and prior approval by the Conference.

111. Moreover, the transaction was not accounted properly, as required, as a regular budget expenditure item (but instead deducted directly from the regular budget other income).

CONTRACTS AND PURCHASES

112. In reply to our observations and recommendation on the tendering procedures made in para. 66 of our report of 25 February 1991, doc. IDB.8/3 -PBC.7/3 on the results of a specific in-depth external audit examination of the electronic data processing system acquisition project of UNIDO we were informed that Contracts Section had already modified some internal procedures.

113. In this regard we also noticed that the tendering procedures followed by UNIDO's Contracts and Purchase Sections and the relevant financial rules will be elaborated to offer better safeguards and more transparency. Moreover, new guidelines for formal bidding or calling for competitive proposals have been drafted. In this connection we commented that for larger purchases for which the estimated value equals or exceeds a certain threshold, "open" tendering procedures should be applied whenever the equipment specifications are complete and final. In order to create the necessary conditions for efficient international competition, so that a greater level of interest and participation is aroused from a larger number of companies, all the operations and procedures involved in the tendering should be made more transparent.

114. Our follow up review of the files submitted to the Committee on Contracts in 1990 and 1991 revealed that the response to quite a number of calls for proposals was still very poor. In this connection, we noticed that steps have been taken to revitalize the Vendors Roster and to update the Roster of Consulting Firms and Organizations which might result in substantially improving the efficiency and effectiveness of the tendering procedure.

115. Management informed us that during 1990 and 1991 the information of 660 consultant companies has been updated and that it is planned to finalize during 1992 the updating of the information of all 3500 companies which are in the Contracts Section database. Simultaneously, efforts will be made to convert the UNIDO coding system of the Rosters of Industrial Consulting Companies and Equipment Manufacturers and Vendors to the United Nations Common Coding Systems (UNCCS) of goods/services and the Administration tries also to have an on-line connection to the UNCCS system of the Inter-Agency Procurement Services Office (IAPSO).

116. Our examination of the files also showed a substantial number of observations made by the Committee on Contracts with a view to obtaining, inter alia:

(a) More diversified lists of invitees including, for instance, more companies from developing countries as well as from underutilized major donor countries;

(b) More adequate technical specifications so that the invitation and comparison of proposals would be more meaningful;

(c) More advantageous prices and conditions;

(d) Strict adherence to UNIDO Financial Rules and procedures.

117. In this regard we were informed that the issuance of guidelines for the preparation of cases presented to the Committee on Contracts will be pursued actively. UNIDO's management is about to finalize new Terms of Reference for this Committee which will be used soon and which hopefully will overcome many of the abovementioned points.

118. In view of a case where the Field Authorities/Government were more successful than UNIDO in selecting potential suppliers/contractors and in receiving appropriate proposals from them, we observed that UNIDO should prepare the lists of invitees more judiciously.

119. We learned that the Committee on Contracts held lengthy discussions on the interpretation of financial rule 109.18 (b) (ii) which is intended to minimize the potential for abuse of stipulations limiting competitive bidding to companies from one country.

120. Our audit furthermore disclosed quite a number of instances where purchases/contracts were awarded without calling for competitive proposals. In this connection, we observed that the various requests for the waiver of international bidding were made and written justifications were provided, in conformity with the relevant Financial Rules.

121. Our examination of the validity of the reasons put forward by the Administration for rejecting several proposals relating to contracts for certain projects was seriously hindered due to the early discarding of the proposals because of a lack of clear instructions on the retention of tendering documents in particular.

122. During our sampling audit we noted that UNIDO in one instance rejected a financially interesting offer on the ground of some misinterpretation of the terms of reference. This was done without requesting the company to clarify its proposal. Therefore, we observed that, especially for larger contracts/purchases the tenderers should be allowed to clarify their proposal. If for a given contract/purchase tenders appear to be abnormally low in relation to the transaction, Management should even request the companies to clarify their offers before it may reject those tenders. Any modification of proposals should (however) not be accepted after the opening.

123. In this regard the Administration stated that:

(a) Direct negotiations with firms are entered into only if and when requested by

the Substantive Office concerned and after reference to/endorsement by the Committee on Contracts. However in this case the Substantive Office did not request the Contracts Section to enter into negotiation with the firms concerned;

(b) Invitees are at liberty to request additional information or clarification on the terms of reference, prior to the preparation of their proposals; and,

(c) As a rule, the Contracts Section does not entertain any request for information or clarification during the proposal evaluation process nor does it, at that stage, accept conditions to or modifications of the proposals received.

124. Management also sincerely regretted that the Substantive Office concerned discarded the proposals received after completion of the evaluation and award of the contract and it stated that the Contracts Section has already been directed to retain a full set of the proposals received pursuant to each request.

125. Our audit further disclosed several negative effects of too slow or inadequate procedures.

126. In one case where only two companies submitted a proposal and one other invitee requested an extension of the closing date, Management did not grant the extension since the donor government was already questioning the delay in contract award. On our query the Administration replied that in this specific case the Substantive Officer could not agree to extend the closing date for one bidder only. It emphasized, however, that if Contracts Section has not received a sufficient number of proposals by the closing date and two or more companies are asking for an extension, extension of the closing date is normally granted. From our side we further are of the opinion that a certain lead time should always be included in the planning of the projects in order to avoid questionable grounds of exigency restricting the number of bidders.

127. In another case where an important purchase order could not be issued within "normal" time limits, Management did not organize a new call for proposals, although technical and price developments might in the meantime not only have enabled other companies to participate in the tendering procedure but also have resulted in better and/or cheaper models.

128. We recommended therefore that in such cases UNIDO should apply the practice of another call for proposals as a rule.

129. We questioned the retention of experts/consultants in the regular service of equipment manufacturers for the preparation of equipment specifications and the subsequent participation of their companies in the relevant bidding exercise. It may indeed be supposed that a company through the involvement of one of its experts (having prepared the terms of reference of a project) has a potential advantage during the bidding exercise.

130. Because the basic principles of competition should always be strictly adhered to, we recommended that appropriate instructions or an amendment to the Financial Rules should, therefore, be issued in order to exclude a company from participating in the bidding exercise when the equipment specifications have been prepared by one or more of its experts retained by UNIDO for this purpose.

131. In general we acknowledge the continued efforts made by the Contracts Committee as well as Contracts and Purchase Sections in order to improve the procedures and the selection process of companies invited to bid and of the final selection of contractors and suppliers. Hopefully the new Terms of Reference for the Committee on Contracts, which will be issued soon, will help to overcome many of the points raised by us during our audit exercise.

132. For practical reasons, the results of our audit examination of UNIDO contracts and purchases in 1990-1991 can be presented here in a succinct manner only highlighting the major findings and observations deemed of particular interest for Member States. The full scope of the audit exercise as well as the particulars of our review of specific contracts and purchases files, however, are set out in more detail in Annex I to the report.

TECHNICAL CO-OPERATION ACTIVITIES

133. As part of our general review of UNIDO policies and procedures on project design, appraisal, monitoring, evaluation and follow-up, (in accordance with financial regulations 11.3 and 11.4) we updated our examination of the large-scale, multi-year projects executed in developing countries throughout the world.

Project Performance Evaluation Reports (PPER)

Timely Submission of PPERs by Field Officers

134. The importance of the PPERs as a management tool is clearly spelled out in para. 5 of the Director-General's bulletin cf. UNIDO/DG/B.147 - 30 August 1991.

135. From the Interoffice Memorandum dated 15 May 1991 on "1990 Analysis of the Internal Evaluation System" we noted that for 1990 PPERs for 334 projects were scheduled as compared to 267 in 1989. During the same period, a total of (only) 206 PPERs were processed, i.e. received, reviewed and returned with UNIDO's comments to Project Management, UNDP/UNIDO Field Staff and UNDP Headquarters. Difficulties were still experienced with some countries where PPER is possibly not an accepted management tool, or, at least, reporting requirements are not adhered to. The compliance rate is, reportedly, dependent on the extent to which the local UNDP takes initiative in following up.

136. At the time of our review, in February 1992, from the 330 PPERs scheduled for 1991, fifty-six reports (17 per cent) were not available and fifty-nine reports (18 per cent) were submitted with an average of eighty days delay. It means that only 65 per cent of the PPERs scheduled for 1991 has been received in time. At the same time UNIDO was still not in receipt of sixteen PPERs scheduled for 1990.

137. Though we noted that the Project Management and UNIDO Field Staff whose reports are received after the tripartite review are regularly reminded, in ODG/EVAL's comments on PPERs, of the necessity to produce and forward the report prior to the meeting we recommended that appropriate steps be taken with a view to reaching a more timely submission of the PPERs. Management promised to do its utmost to reduce the delays.

Immediate analysis of PPERs at UNIDO Headquarters

138. We noted in 1991, that for 26 PPERs the processing time substantially exceeded the three weeks period laid down in para 8.1.1.2. (d) of doc. UNIDO (PC 31) rev. 1 on Design and Evaluation.

139. Management explained that exceeding the three-weeks period of processing time in 9.5 per cent of the cases was mainly attributable to the unavoidable fluctuation in the workload/ absence from the duty station of substantive officers.

The quality of PPER exercises

140. From the aforementioned Interoffice Memorandum dated 15 May 1991 we learned that in 1990 for approximately 48 per cent and 57 per cent of the PPERs reviewed with respect to projects backstopped by DIO and other parts of the Secretariat respectively, the Evaluation Staff found the performance reports excellent or good. 12 per cent and 29 per cent (DIO and non-DIO projects respectively) of the PPERs were found poor and unacceptable.

141. In this connection, we took due note of the Director-General's Bulletin on Internal Evaluation of Technical Co-operation providing guidance on performance reporting requirements for all projects executed by UNIDO independently of their source of financing. Management considered that in general the performance reports were more than acceptable and that the Internal Evaluation system is mostly functioning well.

Tripartite In-depth Evaluations

142. We observed that in 1990 34 in-depth evaluation exercises were conducted - most of them with a UNIDO representative - as against only 18 in 1989. In thirty-four cases (or 81 per cent) the quality was found satisfactory or even very good or excellent. This result reflects the increased expertise of both UNIDO backstopping officers and the Evaluation Staff in the design, planning, scheduling and conduct of in-depth evaluations.

143. In 1991 another 33 in-depth evaluation exercises were carried out, most of them with a UNIDO representative.

Factors affecting timely production of project outputs and often resulting in substantial increases in project expenditures

144. We noticed from the aforementioned Inter-office Memorandum of 15 May 1991 that in 1990 only 44 per cent of the projects were found to be performing "more than planned" or "as planned" as against 60 per cent in 1989. As main problem areas for the decrease in quality were mentioned: "project design" and "input delivery". Furthermore, while in the past government inputs were observed not to be forthcoming as anticipated, lately the delivery of UNIDO inputs gave cause for concern.

145. Management found our concern regarding late delivery of UNIDO valid but mentioned that the consultative process between the three parties involved, namely Headquarters, donors and the recipient governments with clearances required for each step causes delays in almost every component of project implementation.

146. As other grounds which affect the timely production Management enumerated that:

(a) The recruitment process and clearances by the recipient country or experts candidates submitted often cause delays in implementation;

(b) The best experts are under high demand and therefore generally their services are not immediately available; and,

(c) The unavailability of funds to let backstopping officers carry-out monitoring/ consulting visits is a major handicap to overcome problems related to UNIDO/UNDP and government inputs delivery.

147. Management shared our opinion that inadequate project design is a very likely source of problems during implementation and stated that in order to meet important pre-requisites, like collecting and analyzing adequate information from the counterparts, the project preparation has to be strengthened.

Utilization of the flow of information generated by UNIDO's internal evaluation system - Sustainability, commercial viability and impact of projects

148. According to the abovementioned Director-General's Bulletin (cf. para 134) it is the policy of UNIDO to strive continuously to improve the quality of technical co-operation projects, as well as to respond in a clear manner to accountability. The internal evaluation system for technical co-operation projects is intended to provide all levels of management with timely analytical information on project achievements and problems, thus enabling them to focus on the relevance, efficiency, effectiveness and impact of the technical co-operation activities of the Organization. The evaluation system provides justification and direction for any remedial action that may be required, as well as lessons from which Management can learn for the future. Furthermore, the system helps to establish the responsibilities of each party in ensuring project effectiveness and impact.

149. In this connection, we referred to the comments we made in our aforementioned report of 21 May 1990, paras 148-149 and 189-191.

150. We further noted from the aforementioned "Analysis of Experience with Tripartite In-depth Evaluations of Technical Co-operation Projects in

1990" that the impact (contribution towards the achievement of the development objective) of the projects evaluated was evident in 28 per cent, partial in 31 per cent, and not evident in 12.5 per cent of the cases. In 22 per cent of the evaluations the question was not discussed. The problem of end users who ultimately should benefit from assistance provided, mostly through the immediately benefitting counterpart institution, was addressed by 68 per cent of the evaluations only, with a gender specific analysis prepared in 13 per cent of the cases.

151. Our audit furthermore disclosed seven projects where, in the comments made by Evaluation Staff on the PPERs in 1991, due attention was paid to and strong concern was expressed about the sustainability, commercial viability and impact of the projects.

152. Management acknowledged our statement regarding the importance of the internal evaluation system as being a management tool. It declared that regarding the impact of projects (contribution towards the achievement of the development objective) and the problems of end users in Tripartite In-depth Evaluations it will draw the attention of all those concerned so that in the future more emphasis will be put on those important aspects.

ELECTRONIC DATA PROCESSING SYSTEMS

Financial information

153. The information contained in table 6 shows that for the 1990-1991 biennium the programme execution regarding the EDP non-staff costs stayed within the (regular budget) proposals for revised appropriations as approved by GC.4/Dec.15,(c),(iv) of 22 November 1991.

154. As far as it could be judged by us some $ 0.18 million or 1.90 per cent of the total EDP non-staff costs have been charged to the Operational budget (see table 7).

TABLE 6

Comparison of the approved revised appropriations for EDP non-staff costs with total Regular Budget EDP non-staff expenditures (in millions of US dollars)

	Approved revised budget GC.4/47 (Annex IV) (ROE=11.56)	Regular budget expenditures for 1990-1991 as at 31 December 1991 (at actual rates)
Non-staff costs	9.40	9.31
Training	0.20	0.19
Total	9.60	9.50

TABLE 7

Regular and Operations Budget total EDP expenditures for the financial period 1990-1991 as per Statement of Allotments as at 31 December 1991

(in millions of US dollars)

	RBN-050			OBN-050			TOTALS (d)
	(a)	(b)	(c)	(a)	(b)	(c)	
Non-staff	8.63	0.68	9.31	0.12	0.06	0.18	9.49
Staff costs	2.59	0.01	2.60	1.46	0.2	1.66	4.26
Training	0.16	0.03	0.19	0.01	0.06	0.07	0.26
Totals	11.38	0.72	12.10	1.59	0.32	1.91	14.01

(a) = disbursements

(b) = outstanding obligations

(c) = total expenditures = (a) + (b)

(d) = sum of total expenditures of Regular and Operational budget.

155. As regards the EDP staff costs, totalling $ 4.26 million, $ 1.66 million, or approximately 38.88 per cent, have been debited to the Operational budget (see table 7).

156. In document IDB.8/3 - PBC.7/3, dated 25 February 1991, "Report to the Programme and Budget Committee on the results of a specific, in-depth external audit examination of the electronic data processing system acquisition project of the United Nations Industrial Development Organization", Table 1 showed the "Firm commitments entered into before 1 January 1990 expressed in Austrian Shillings". They were calculated for the 1990/1991, 1992/1993 and 1994/1995 biennia to the extent they could be traced by us at that time.

157. In note 2,k to UNIDO Financial Statement III "Statement of assets, liabilities and surpluses as at 31 December 1991", general amounts concerning the EDP related commitments for the 1992/1993 biennium and the future are included (based on detailed figures presented in a working document prepared by Accounts and Payments Section).

158. Regarding the importance of changes/ amendments made to several major contracts, the amounts concerning the commitments for the 1992-1993 and future biennia related to the changed/amended contracts, as presented in the aforementioned documents, are shown in table 8.

159. As can be seen from table 8 there are very important changes to the payments that have to be executed in the 1992-1993 and 1994.

Financial implications due to the changes to the lease payments for the IBM mainframe

160. Paragraph 19 of document IDB.7/31, dated 5 October 1990, submitted by the Director General, stated that discussions were held with representatives of IBM regarding the rescheduling of the mainframe lease payments.

161. The amendments which resulted from these negotiations will have a far-reaching impact on the amounts still to be paid as well as on the possible final cost of the mainframe hardware. Therefore, table 9 shows (on a yearly basis) the leasing costs already paid and still to be paid, until the ending of the amended mainframe contract.

TABLE 8

Comparison of the IBM related commitments for the 1992-1993 and 1994

	IDB.8/3 - PBC.7/3 1/		WORKING DOCUMENT FOR NOTE 2,K TO STATEMENT III	
	1992/1993	1994	1992/1993	1994
IBM (mainframe)	3,188,376	797,184	1,821,429	2,805,282
IBM (software)	1,608,281	1,608,281	1,050,901	1,050,901
IBM (hardw. maint.	431,871	323,903	-	-
IBM (Facilities Management)	2,748,214	1,374,107	2,435,336	1,217,785
IBM (networking SW)	64,611	64,611	32,379	32,379
IBM (networking HW)	58,401	58,401		
TOTALS:	8,100,114	4,226,487	5,340,045	5,106,347

1/ The original AS amounts are converted into US Dollar amounts at the rate of exchange of 1 US $ = 11,20 AS or the same rate of exchange used in the working document that is referred to.

TABLE 9

Comparison of the costs related to the lease of the IBM mainframe in the light of the revision of the original payment schedule.

(Rate of exchange: US $1 = AS 11.20)

	Original contract			Amended contract		
Year	AS	US$	%	AS	US$	%
1989	24,351,700	2,174,259	31.47	24,351,700	2,174,259	29.80
1990	4,021,039	359,021	5.19	4,021,039	359,021	4.92
1991	4,386,588	391,660	5.67	4,386,588	391,660	5.36
1992	17,856,924	1,594,368	23.07	10,200,000	910,714	12.48
1993	17,856,924	1,594,368	23.07	10,200,000	910,714	12.48
1994	8,928,462	797,184	11.53	28,575,000	2,551,339	34.96
	77,401,637	6,910,860	100.00	81,734,327	7,297,707	100.00

162. The amounts recorded in table 9 are based on the fact that until the end of December 1991 the monthly lease payments were not changed. The amended contract stipulates that, starting from September 1991 until year end 1991, the same monthly amount is due as provided for in the original contract.

163. Table 9 shows that against the substantial cost reduction of $ 1,367,308 for the 1992/1993 biennium stands a cost increase of $ 1,754,155 for 1994. This means that the rescheduled payment schedule for the period 1992-1994, and in particular the cost reduction for the fiscal period 1992-1993, results in a net total cost increase of $386,847, and that within the first six months of the calendar year 1994 UNIDO will have to pay approximately 35 per cent of the total IBM mainframe lease costs.

Transfer of ownership of the IBM mainframe

164. Under the original Agreement for System Integration UNIDO had the possibility to make use of a "buy-out option". In other words, after the leasing period the Organization would have had the opportunity to purchase the IBM mainframe by paying two additional normalized (average) monthly leasing rates. This option was not formally incorporated in the Agreement, but had been confirmed by IBM in its letter to UNIDO dated 2 November 1990.

165. On our audit question about this "buy-out option" the Administration replied that: "the observation that the "buy-out-transaction should be part of an amendment to the original contract" is not applicable since the Austrian law precludes in the leasing agreement a statement concerning transferring and/or planning the transfer of the ownership of the equipment to the client during the leasing period".

166. In relation to the matter of UNIDO acquiring ownership of the IBM mainframe we observed that Amendment 2 to the Agreement for System Integration (the revised contract), being an update to:

- the software installed
- the monthly license charge of the software installed
- the lease payments,

now formally provides two ownership options for UNIDO for the mainframe and its ancillaries (as specified in Annex B of the amendment):

(a) instead of paying 6 consecutive monthly payments each of AS 4,762,500 ($ 425,223 at ROE 11.20) starting 1 January 1994, UNIDO can purchase, effective January 1,1994, the mainframe IBM 3090/25J and its ancillaries (as specified in Annex B) at a price of AS 30,862,100 ($ 2,755,545 at ROE 11.20).

(b) after UNIDO having paid all monthly leasing rates up to and including June 1994, the Organization can request a transfer of title of the mainframe IBM/3090/25J and its ancillaries (as specified in Annex B) per July 1 1994 at a price of 2 normalized leasing rates (based upon the modified payment stream), in total amounting to AS 2,844,160 ($ 253,943 at ROE 11.20).

167. This means that:

option (a) will bring the total mainframe cost to AS 84,027,427 or $ 7,502,449 (ROE = 11.20). Taking this option means that UNIDO will have to pay as at January 1, 1994 an amount of $ 2,755,545 or 36,73 per cent of the total mainframe hardware cost;

option (b) will lead to the amount of AS 84,584,487 or $ 7,552,186 as the final total. This option will have as a consequence that in the first six months of 1994 UNIDO will have the obligation to pay $ 2,805,282 or 37.14 per cent of the total mainframe hardware acquisition costs.

Reduced software charges

168. Concerning the installed software, Amendment 2 to the Agreement for System Integration stipulates that the monthly charges will be AS 490,420 ($ 43,788) starting January 1, 1992. Compared with the original contract this represents a reduction of AS 260,111 ($ 23,225) because all VM/XA software will no longer be in use.

Amended Agreement for the Facilities Management (AFM)

169. As shown in table 8 there are no longer commitments for the maintenance of the IBM hardware. This is because all maintenance costs, previously subject to a separate contract, are now incorporated in the AFM.

170. As a consequence of the inclusion of the hardware maintenance costs and of the reduced Facilities Management Services to be provided for by IBM, the yearly fee (for 1992,1993 and 1994) decreased from AS 15,390.000 ($ 1,374,107 at ROE 11.20) to AS 13,639,200 ($ 1,217,786 at ROE 11,20).

171. On our audit question concerning the financial implications of the integration of the system services into the AFM, the Administration replied that "future changes to the set of hardware installed and, hence, to be maintained under the system services of the AFM as defined in the list of installed hardware to be maintained by IBM, may effect the cost of the system services part of the AFM". In our view future changes are to be considered as the installation of additional new hardware parts .

172. In Annex B (IBM Service Concept) to the AFM the last paragraph under the heading "The IBM Computer Center" reads: "In order to provide the specified services with high quality and at the defined fee the IBM Service Concept for this Facilities Management contract is based on the principle that the UNIDO Computer Center operation is synchronized to the IBM Computing Center set-up".

173. In reply to our request for explanation concerning the above mentioned paragraph, the Administration provided the following information: "The last para. under "IBM Computing Center" reflects that UNIDO's Computer should run the same versions or release levels of software products as the IBM Computing Center. This was required by IBM so that they can first install and test new versions or release levels of system software at their own Computing Center BEFORE the transfer to UNIDO. IBM has explained that the lack of synchronization may have a cost impact".

174. The cost impact that IBM referred to may, to our understanding, result from the fact that under the AFM the operation of the IBM mainframe, located in the UNIDO Computer Center, will be controlled and monitored via remote operation in the IBM Computing Center by means of the appropriate software tools. Consequently, if UNIDO should not install a new version or release level of a system software product within a few months after IBM having installed and tested it, the IBM Computing Center will have to maintain,beside the upgraded products, the old version or release level in order to be able to continue controlling and monitoring the IBM mainframe at UNIDO as specified in the AFM.

Conclusions

175. It is clear that the IBM mainframe leasing contract, as it has been renegotiated and accepted, has as a consequence that, due to the increase of the financing cost, the final mainframe hardware lease cost will be higher than under the original Agreement for System Integration.

176. Comparing the totals calculated in table I8 demonstrates that, through the renegotiation of the IBM related contracts, a provisional cost reduction in the EDP programme of $ 1,880,209 has been achieved. The exact amount however, may be known only by the end of 1993, pending the Organization's decision whether or not to purchase the mainframe and its ancillaries.

177. While UNIDO is making a major investment in modern information processing technology and techniques it is of vital importance for the realization of the Organization's goals to benefit as soon as possible from this investment without supplementary costs. This can be achieved mainly by increasing the efficiency and effectiveness of data processing and distribution.

178. Intensive training of the existing EDP staff in the use of modern data processing techniques and tools, and of the end-users regarding the applications and software packages they have to work with, should be considered as a main objective. To a large extent this objective can be met through the execution of Phase 2 of the "Strategic Automation Plan for UNIDO".

179. In addition, standards should be established and complied with, throughout the Organization as a whole, regarding the use of software packages (i.e. word-processing, data-base products, spreadsheets) thus enabling the transfer of any document without conversion problems and/or duplication of efforts.

180. Finally, it is also of great importance that EDP-staff as well as the end-users will be highly motivated to accept the (new) tools and applications as a valuable support to their work. This goes for UNIDO staff at headquarters as well as for the field-staff.

INTERNAL AUDIT FUNCTION

181. The objective of internal audit is to assist management in fulfilling its responsibilities. This is done by providing analyses, appraisals, recommendations and pertinent comments about the activities reviewed. To obtain a full understanding of the operations under review, internal auditors must go beyond financial and accounting records and therefore may be concerned with any phase of the Organization's activities. Internal audit has also a supervisory function, especially with respect to the review of internal control. The authority to conduct this kind of audit and examinations is laid down in the Financial Regulations and Rules of the Organization (cf. Fin.Reg. 9.1.(d) and Rule 109.39).

182. In order to determine to what extent the work of the Internal Audit Unit concurs with the objectives outlined above, we evaluated the activities of the Unit and checked if these were generally commensurate with professionally recognized functions.

183. As a first remark, we noted that only on 5 March 1992 a draft Director-General's bulletin was prepared, which will serve as the written mandate of the Internal Audit functions. At the time we drafted this report, this bulletin still had not become official. We therefore insist that the position and authority of the Internal Audit Unit should urgently be formulated and communicated organization-wide.

184. Though a specific mandate is missing and given the circumstances, the Unit, in our view, is performing relatively well. A biennial audit plan is prepared which concentrates attention on the most basic financial control systems. This plan is approved by the Director-General.

185. On the other hand we observed one major weakness because the Unit, for want of staff resources, has not reviewed the adequacy of the (internal) controls which should be built into major new systems or procedures at the time they are designed. In this regard we refer to the introduction of the EDP system, which in our view necessitates strong and adequate audit checks. From experience we know that only ad hoc investigations have been performed by the Unit of irregularities which might not have occurred if there had been adequate audit coverage earlier on.

186. With regard to actual Internal Audit outputs we were informed that the Unit issued eleven reports in 1990 (including four field audit reports in one country covering fourteen projects) in addition to participating on a full time basis in the review of cost overrun of the EDP programme, and five reports in 1991; three of these reports were of a repetitive nature. In addition to this, substantial field work was carried out during 1992 on three specific items.

187. Taking into consideration that the Unit was reduced to only one auditor after the chief of the Unit left in June 1991 (replacement took place late October 1991) and one secretary, we believe that the Unit was and still is understaffed. In our view the Unit should be staffed with at least three auditors at professional level and two assistants at G5 to G7 level having thorough knowledge of accounting and basic audit methods. This would permit the Unit to examine and evaluate all aspects of the Organization's major systems in order to ensure:

- The integrity of financial and other information;
- Controls over property, revenues and expenditures;
- Compliance with objectives, policies, plans, procedures, regulations and rules; and,
- Sound management with due regard for economy, efficiency and effectiveness.

OTHER MATTERS

Draft Finance Manual

188. In its conclusion 1991/2 para. (d) the PBC recommended to the Industrial Development Board that it request the Director-General to make available to interested Member States before the fourth session of the General Conference the manual on financial and accounting policies and procedures and to present the comments of the External Auditor on that manual to the first regular session of the PBC in 1992.

189. Subsequently the Board in its decision IDB.8/Dec.30 para. (d) endorsed conclusion 1991/2 of the PBC.

190. By interoffice memorandum dated 19 March 1992 the audit team was informed that a first draft of the manual was finalized as of 1 November and made available to interested Member States before the fourth General Conference. At the same time copies of the first draft manual were sent to a number of units within UNIDO requesting for their comments. Before incorporating the comments received into the final text, Management invited us to give our views in order to avoid duplication of efforts.

191. To this we replied that the External Auditor can present his comments only on the final draft. Any other approach would indeed mean that the External Auditor participates in the elaboration and drafting of the document itself which is not in line with the abovementioned decision of the Board and obviously, also goes beyond the legislative mandate of the External Auditor.

192. We were provided with a copy of the final draft of the Manual only when we finalized the present report. In the circumstances, the requested external audit comments will have to be presented to the ninth regular session of the PBC.

Amounts written off, cases of fraud or presumptive fraud

193. The Secretariat confirmed that no ex-gratia payments were effected.

194. With regard to the write-off cases still under investigation at the time of our report on the accounts of the Organization for the financial period 1988-1989 (cf doc. IDB.7/11 - PBC.6/15 - para 204) reference is made to doc. IDB.10/9 - PBC.8/6 of 6 May 1992 asking for approval of the total losses related to small items of the VIC Catering Service.

195. The Secretariat also informed us that there had been no cases of fraud or presumptive fraud during the biennium 1990-1991. In connection with the case still under treatment for formal decision mentioned in para. 204 of our aforementioned report the procedure was completed in February 1991. The overpayments were fully recovered.

196. As for the case referred to in para. 206 of our aforementioned report the Secretariat intends to initiate further actions.

ACKNOWLEDGEMENT

197. I wish to record my appreciation for the co-operation and support extended by the Director-General and the staff of the Organization during the audit sessions at UNIDO Headquarters. I am particularly grateful to the officers and the staff of Finance Services Division for the quality and timeliness of the responses to our audit comments and observations and for their valued, expert assistance provided to the audit team in completing the audit reports.

Jeroom L.E. VAN de VELDE
Senior President of the Court of Audit
Belgium

External Auditor

Vienna, 15 May 1992

1 (one) ANNEX

ANNEX

CONTRACTS AND PURCHASES

Tendering procedures

1. In para. 66 of our report of 25 February 1991, doc. IDB.8/3 - PBC.7/3, to the Programme and Budget Committee on the results of a specific, in-depth external audit examination of the electronic data processing system acquisition project of UNIDO, we made following recommendations. Even for the procedure of calling for competitive proposals:

(i) The requests for proposals should state where and when the proposals will be opened.

(ii) The proposals received should be date-stamped.

(iii) All proposals should be opened in the presence of witnesses.

(iv) Representatives from any firm which submitted a proposal should be allowed to attend the opening of the proposals.

(iii) All proposals should be opened in the presence of witnesses.

(iv) Representatives from any firm which submitted a proposal should be allowed to attend the opening of the proposals.

(v) At the opening of the proposals, the name of each firm which submitted a proposal should be read out.

(vi) Unless the request for proposals specifically state to the contrary, the total price of the proposal in the currency used should also be read out.

(vii) An immediate record of the opening of the proposals should always be made.

2. In para. 24 of doc. IDB.8/5-PBC.7/7 of 8 March 1991, Comments of the Director-General on our report, it was stated that the Secretariat has taken note of these recommendations. The established procedures followed by UNIDO's Contracts and Purchase Section and the relevant Financial Rules would be elaborated to offer better safeguards and, as appropriate, more transparency.

3. We were further informed by the Secretariat that the Contracts Section has already modified the internal procedures as follows:

(i) Proposals received are date stamped.

(ii) Proposals will be opened in the presence of witnesses.

(iii) Records of the opening of the proposals will be made immediately.

In addition, the Contracts Section's would draft guidelines for formal bidding or calling for proposals. All our comments concerning the existing procedures would be borne in mind and given proper consideration, to the extent possible, in the preparation of the new guidelines.

4. As regards the Purchase Section, the Secretariat stated the following:

(i) Note is taken of the recommendation.

(ii) However, Purchase Section processes over 3,000 orders a year and the proposed procedure would be extremely time consuming and labour intensive; present staff would have to be increased substantially.

(iii) The average value of the orders is too low to warrant the application of the procedure recommended; such a procedure would only be viable for very large orders.

(iv) Purchase Section can work together with the Contracts Section to elaborate a more flexible procedure.

5. We held to our opinion that the competitive tendering procedure would offer better safeguards and more transparency when:

(i) representatives from any company which submit a quotation should be allowed to attend the opening of the proposals;

(ii) at the opening of the offers, the name of each firm which submitted a proposal should be read out;

(iii) the total price of each offer in the currency used should also be read out.

6. As regards the Purchase Section, we agreed that the procedure we suggested is only viable for larger orders, i.e. for which the estimated value equals or exceeds a certain threshold. Therefore, we recommended that appropriate thresholds be laid down for the formal competitive bidding procedure as well as for the calling for competitive proposals.

7. In a more general way, we recommended that UNIDO, in order to create the necessary conditions for efficient international competition for contracts/purchases so that a greater level of interest and participation is aroused from a larger number of companies, should make all the operations and procedures involved in the competitive tendering more transparent.

8. We further recommended that for larger contracts/purchases "open" procedures should be applied whereby all interested companies may submit tenders. In order to improve access to contracts/purchases and allow a larger number of companies to compete and to prepare their bids in reasonable time, especially for large contracts/purchases which are generally of considerable technical and/or organizational complexity, the time limits for the receipt of applications to bid and tenders might be lengthened. "Restricted" procedures whereby only the companies invited may submit proposals, should only be followed for smaller purchases and/or when there is not enough time to organize open procedures. "Negotiated" procedures, whereby Management consults companies of its choice and negotiates the terms of the contract with one or more of them, should only be used in instances where a waiver of competitive bidding requirement is allowed.

9. The Secretariat agreed with our statement that all efforts should be made in competitive bidding procedures for "better safeguards and more transparency". However, in its opinion, it is not possible to read out the total price of each offer, inter alia, because the technical evaluation of proposals is essential and prices cannot be published before the technical evaluation has been made.

10. Concerning the open tendering procedure we proposed, the Secretariat emphasized that UNIDO has been very successful in awarding contracts for services and equipment on a very wide geographical basis, e.g. in 1991, 260 contracts for technical co-operation were awarded to companies from more than 59 countries. If, for the larger projects, open tendering procedures were followed, this would limit the number of companies sending proposals to those from major industrialized countries since there are few modern, official channels of communication with many companies from Member States. When preparing lists of invitees, UNIDO usually includes one or two firms from major

under-utilized donor countries and one or two from developing countries. It should be remembered that UNIDO projects are, by nature, specialized and the number of companies/institutions able to send quotations are limited and mostly known to UNIDO and included in its rosters. It should also be noted that the major reason for negative replies to UNIDO's requests for proposals is insufficient funds. Therefore, the number of companies submitting proposals/quotations will not automatically increase through the open tendering procedure.

11. The Secretariat further underlined that the mechanism of "open" procedures for larger contracts/purchases whereby interested companies may submit tenders is in fact in existence. Large-scale projects having equipment or consulting service requirements in excess of US$ 100,000 are in the first instance identified by the United Nations Development Programme (UNDP) and cleared with the respective executing agencies (including UNIDO) prior to advertising in the paper "Development Business" which is published fortnightly by United Nations (UN) and has a circulation of many thousands. In response to these advertisements, Purchase Section receives expressions of interest from companies world-wide. These companies are then invited to submit tenders for the respective projects. This form of advertising larger purchases/contracts is co-ordinated by the Inter-Agency Procurement Services Office (IAPSO) in Copenhagen with the participation of almost all UN offices and agencies engaging regularly in purchasing and contracting. In other words, UNIDO's procedures in this connection are in line with those of most other specialized agencies.

Number and nature of prospective bidders to be invited - Response

A. The Purchase Section's Vendors Roster and the Contracts Section's Roster of Consulting Firms and Organizations

12. From doc. PBC.7/13 of 26 March 1991 - Report by the Director-General on the follow-up of recommendations of the External Auditor for the financial period 1988-1989 - we noted following statements.

(i) In addition to the Vendors Roster, there are many directories available to the Purchase Section staff. (para. 23)

(ii) All United Nations agencies participating in the Inter-Agency Procurement Working Group (IAPWG) meetings have agreed upon the adoption of a common computer coding system for their roster, called United Nations Common Coding System (UNCCS). UNIDO was the first Organization in the United Nations system to instal the relevant software, which the Inter-Agency Procurement Services Office (IAPSO) provided free of charge along with the services of one of its computer experts. Whereas the system was still in its infancy after the completion of the first stage in December 1990, efforts were being made to expand it substantially in the shortest period of time. (para. 29)

(iii) The first draft of the UNCCS for consulting organizations was issued by IAPSO in January 1991, and all information included in IAPSO's data bank will be available to the Contracts Section in due course (para. 30).

(iv) A new mainframe application for the Contracts Section's Roster of Consulting Firms and Organizations was prepared and installed in May 1990. Pursuant to that, all staff members in the Contracts Section can access the Roster through their own personal computers.

13. From doc. IDB.8/10, Annual Report of UNIDO 1990, paras. 31 and 32, we further noted following statements:

(i) 28.7 per cent of all orders for project equipment and supplies were placed with manufacturers and vendors from developing countries; 8.5 per cent of the orders were placed with manufacturers and vendors from the so-called major under-utilized donor countries.

(ii) As for the award of contracts for services of consulting firms in the implementation of technical co-operation programmes, special attention was also given to companies and consulting firms from developing countries and major under-utilized donor countries. Simultaneously, efforts were made to expand and update the information on companies from developing and under-utilized major donor countries in the roster of industrial consulting firms and organizations which, by the end of 1990, included nearly 3,000 enterprises.

(iii) A new electronic data processing application (Contracts Management and Information System) was developed and tested that allows the control of all phases of implementation of up to 1,000 contracts.

14. Since, in our opinion, the revitalization of the Vendors Roster and the updating of the Roster of Consulting Firms and Organizations should result in substantially improving the efficiency and effectiveness of the "calling for competitive proposals" procedure, we asked Management to constantly inform us of any further development of the issue.

15. The Contracts Section fully agreed with our statement that updating of the Roster of Consulting Firms improves efficiency and effectiveness. They emphasized, however, that:

(i) it is not possible to have a roster covering all services UNIDO is requesting;

(ii) in fact, all of UNIDO's projects especially those involving sub-contracts, are related to industrial investments studies and/or manufacturing industries in different countries, each of which is unique and of a very specific nature.

16. Furthermore, The Secretariat provided us with the following information:

(i) The United Nations Common Coding System (UNCCS) co-ordinated by the IAPSO is still in its initial phase and consists, in the main, of equipment suppliers.

(ii) In addition to the Contract Section's own roster, the permanent representatives of UNIDO have been requested to provide information on consulting companies/organizations in their respective countries which could be included in the existing database or maintained in a separate database, if it proved impossible to convert that information to the existing system.

(iii) Likewise, efforts were being made to obtain information from consulting companies in developing countries through the network of Industrial and Technology Information Section/TP/IPCT.

(iv) The Consultant Firms Roster was modified and was being reviewed for its applicability for use as a Vendors Roster.

(v) Training of staff in the operation of the Vendors Roster system was scheduled for the month of May 1991; thereafter testing and redesigning of the roster for use as the Vendors Roster would commence.

17. We were also informed that further action was taken to revitalize both the Vendors Roster and the Roster for Consulting Firms and Organizations with visits to the People's Republic of China, Portugal and India in May, July and November 1991. Contacts were made in the People's Republic of China with 48 corporations offering equipment and consulting services. Completed registration forms have subsequently been received from some of these corporations and proposals have in fact been sollicited and received from two corporations for project equipment requirements in Mozambique and Nigeria. Following the visit to an Industrial Exposition in Lisbon, Portugal in July, registration forms were distributed to 100 companies. Visits of this kind particularly to developing countries and participation in trade fairs are methods whereby new and valuable contacts can be made in areas hitherto not included in UNIDO's Roster.

18. Recently, the Secretariat fully agreed with our comments concerning the importance of an updated and enlarged Roster for Vendors/Consulting Firms and Organizations. It underlined that Contracts Section has one of the biggest data bases of consulting companies in the whole UN, including approximately 3500 companies whereof approximately 2900 companies have been updated during the last years. This database forms the basis for selecting companies for lists of invitees for consulting services. During 1991 and 1992, the information of 660 companies has been updated and this work is continuing. If the necessary funds will be available, the updating of the information of all 3500 companies would be finalized during 1992.

19. Simultaneously, the effort will be made to convert the UNIDO coding system of the Roster of Industrial Consulting Companies to the UNCCS System of services (around 14,000 types of goods and services). Recommendations will also be made to the Management to have an on-line connection to the UNCCS System of IAPSO during this year. In addition, the Contracts Section continues to investigate the possibilities to be connected to some other existing commercial networks/databanks of companies providing consulting services. As a result of all these efforts, the Contracts Section will be in a better position for preparing lists of invitees in consultation with the substantive officers. Condiderable progress has further been achieved in establishing the new Roster of Vendors employing the UNCCS System for coding of vendors' products. A total of 900 companies have been selected for first inclusion on the data base representing certain of those companies with whom UNIDO has conducted business in 1991 and 1992 to date. With the introduction of this new Vendors Roster UNIDO will also have the possibility of sharing the Common Vendor Database being established by IAPSO with inputs from all the major offices of the UN involved in purchasing and contracting.

B. Poor response to quite a number of requests for proposals.

20. For the sake of completeness, as well as to illustrate the need for updated and expanded rosters, we drew attention to the fact that for quite a number of relatively substantial purchases and contracts the response to the requests for proposals still appeared to be very poor.

21. The Secretariat, although agreeing with our statement that only few responses were received in answer to UNIDO calls for proposals, considered this, however, not imputable to the procedure itself. In its opinion, the reasons lie elsewhere:

(i) Some of the companies invited are not interested since the average contract value is very low (US$100,000 or less);

(ii) Insufficient funds are available;

(iii) The very specific nature of the project;

(iv) Lack of suitable staff; and

(v) Special circumstances existing in some project areas.

22. Our audit of the files submitted to the Committee on Contracts in 1990 and 1991 further revealed that with respect to 61 purchases/ contracts, with prices ranging between US$ 61,680 and US$ 1,261,678, UNIDO received only one proposal or rejected all quotations but one.

23. In this connection, we were informed by the Secretariat that both the poor response to the requests for proposals and the rejection of a number of quotations were due to several factors, such as:

(i) There are a number of instances where there is only one manufacturer of certain type of equipment <u>suitable for a particular application</u>;

(ii) Sight should not be lost of the fact that UNIDO is purchasing with greater frequency very sophisticated and specialized equipment.

(iii) Rejection by the Government of most of the companies included in the list of invitees prepared by UNIDO;

(iv) The specificity of the project or the service required;

(v) Budget available not sufficient;

(vi) Other commitments on the part of the companies invited;

(vii) Difficult circumstances in the Project Area;

(viii) There is frequently one manufacturer of choice based on criteria such as technical specifications, after-sales support capabilities, delivery time, etc.;

(ix) Competitive bidding was employed although Management had, on occasions, been aware in advance of the particular suitability of one manufacturer.

24. We underlined that the intended purpose of our observation was to illustrate the poor results of several calls for competitive proposals - even for larger contracts - as well as the need for updated and expanded rosters.

25. We were informed by the Secretariat that:

(i) UNIDO projects are, by nature, specialized;

(ii) the number of companies/institutions able to send quotations are limited and mostly known to UNIDO and included in the rosters;

(iii) the major reason for negative replies to the requests for proposals is 'insufficient funds'; and

(iv) therefore, the number of companies submitting proposals/quotations will not automatically increase through the open tendering procedure.

26. Our audit confirmed that the major reason for negative replies to the requests of proposals was indeed the fact that the funds available are insufficient to carry out the services required. Other reasons invoked by companies not to submit proposals/quotations were: other commitments/ current work load and not enough expertise.

27. The Secretariat explained in this regard that most of the UNIDO projects involving consulting services are very small and often funds available are not sufficient to cover all the services required in the Terms of Reference. The average fee paid by UNIDO, through international bidding, during the last years varied between US$ 8,000 and 10,000 per man-month. However, the fees paid by the private industry for consulting services in western Europe vary between US$ 15,000 and 30,000 per man-month. It was further emphasized that UNIDO is often providing technical assistance in countries for which it is not so easy to find consulting companies willing to work there if they have a normal work load at their offices. Furthermore, it is not possible for the Contracts Section to know in advance which companies have the experience available when the requests for proposals are sent out.

28. On the other hand, our examination of the large-scale multi-year projects also indicated that for quite a number of projects:

(i) inadequate project design continued to be a source of problems during project implementation; the most common shortcomings found were, inter alia, overambitious (unrealistic, over-optimistic) design and under-budgeting;

(ii) the delivery of UNIDO/UNDP inputs gave cause for concern; problems identified were, inter alia,:

(a) frequent delays in specifying equipment and in delivery;

(b) frequent under-estimation of prices;

(c) terms of reference for contracts not adequately defined.

29. We are of the opinion that - although UNIDO as Executing Agency is not the only responsible for the project implementation problems but the responsibility of the UNDP (or other donors) and the Government which are also partners in the tripartite exercise of technical co-operation within the UN-system, is involved as well - the above-mentioned shortcomings are to a great extent within the control of UNIDO.

30. In our view, competitive bidding or calling for proposals might give better results when:

(i) project design would be more adequate and realistic;

(ii) the technical specifications/terms of reference would be prepared and elaborated more judiciously; and

(iii) the estimation of prices would be made in a more realistic way.

31. The Secretariat fully agreed that improvements on more realistic project design and estimation of the prices might give better results. Action is now, reportedly, taken to improve project design and appraisal as outlined in document IDB.9/3, paras. 19-23. The Chairman of the Committee on Contracts is furthermore in close contact with Appraisal, the Project Review Committee and DIO.

32. In this connection, we also noted that the Committee on Contracts repeatedly recommended that:

(i) more detailed information should be given on the type of services to be rendered by the potential contractor;

(ii) it should be provided with a brief description of the services to be

carried out under the proposed contract; reference to the project alone is insufficient as the subcontractor component is usually only one of several components of a project;

(iii) in future, the submissions should contain more detailed information to provide the Committee members, particularly those who were not aware of the background history of a project, with an overall picture of the anticipated services.

33. In August 1991 the Committee also stated in this regard that, in view of the lengthy discussions on several points raised during its consideration of some 'recent' submissions and bearing in mind the observations of the External Auditors, a meeting should be arranged for mid-October to which the Committee members, representatives of the Contracts and Purchase Sections, a representative of the Department for Programme and Project Development (PPD), the Deputy Director-General for Administration, and the Director, General Services Division, would be invited to discuss and solve such problems and misunderstandings.

34. In December 1991, the Committee furthermore agreed that:

(i) it was essential that its Terms of Reference be reviewed and guidelines be drawn up outlining the information to be provided in submissions;

(ii) the guidelines mentioned earlier, both at this meeting and at previous meetings, should stipulate the points raised by the Committee members, for example an explanation of large price difference in the offers received and selection of invitees.

35. We were informed that the above-mentioned meeting to discuss establishment of operational guidelines for and review of the terms of reference of the Committee on Contracts was held on 22 January 1992. Following areas were indicated for possible inclusion in the operational guidelines: (inter alia)

(i) qualitative improvement of submissions as main driving force;

(ii) project development cycle: the Committee on Contracts can hardly improve the quality of submissions which is beyond its present mandate; consequently, any action has to be taken earlier: Area Divisions, DIO Divisions, Appraisal and Project Review Committee;

(iii) information provided to the Committee on Contracts is insufficient, forcing the Committee to take decisions without:

(a) proper background material;

(b) terms of reference frequently missing or poorly designed;

(c) role of backstopping officer in preparation of terms of reference; and

(d) requirements for national vs. international bidding.

36. The Secretariat, while fully agreeing that operational guidelines for the Contracts and Purchase Sections to prepare the submissions to the Committee on Contracts should be established, stated that it is not possible and/or necessary, however, to include in the submissions "explanation for the large price difference in the offers received" because this depends on the companies' policy, price structure, salary levels, etc.

37. In view of some cases where the Field Authorities/Government were more successful than UNIDO in selecting potential suppliers/contractors and in receiving appropriate proposals from them, we further recommended that UNIDO should prepare the lists of invitees more judiciously.

38. The Secretariat stated in this regard that "selection of invitees" is always made according to the standard procedures as explained in the new "Manual of Policies, Procedures, Rules and Regulations governing the Activities of the Purchase and Contracts Sections".

C. Observations rightly made by the Committee on Contracts

(a) Project DP/VIE/85/013 - Assistance to Applied Research in the Leather Industry - Purchase of various items of machinery - $314,856.

39. In March 1990 the Committee observed that twelve of the eighteen companies invited to bid for procurement of various items of machinery were from one particular country. It expressed concern at the over-emphasis of companies of that country. The Purchase Section informed the Committee that the country concerned was considered to be the leading manufacturer of leather industry equipment in terms of quality and cost. However, the Committee felt most strongly that it could not accept the preconceived idea that companies of that country were the most competitive in this field and questioned the imbalance of an invitee list which excluded the possibility of procuring such equipment from developing countries. The Substantive Office was consequently requested to clarify this situation, particularly in view of the large number of projects, both ongoing and future, related to the leather industry. It confirmed that the eighteen companies selected to invite bids were considered to be the best in this field. While several developing countries did in fact produce tanning equipment, either insufficient information was available or the machines were too simple or basic.

40. The Committee requested in future to be presented with a more diversified list of invitees and a clearer technical evaluation giving sufficient justification of selection.

41. We were further informed by the Secretariat that, in their opinion:

(i) the invitee list for this purchase was compiled on the basis of a very complete knowledge of the market;

(ii) UNIDO's expertise in this connection is of the highest order;

(iii) a balance must always be kept between the need to maintain a credible operation in the eyes of the international business community and UNIDO's various internal considerations.

(b) Project SI/NIR/89/805 - Incinerating Plant in Lagos - $138,832.

42. In April 1990 the Committee noted that a proposed short list of eleven companies from eight countries had been sent to the Government which had rejected seven of the companies. It pointed out that the short list should have been attached to the submission for the Committee's information.

(c) Project DP/IND/82/034 - Fertilizer Plant - Purchase of "Process Gas Chromatograph - $54,310

43. In May 1990 the Committee stated that, in retrospect, it would have been preferable to have had more adequate technical specifications in order to have made the invitation and comparison of proposals more meaningful.

(d) Project SF/DRK/90/001 - Establishment of a Tantalum and Niobium Processing Plant - Purchase of various mining and mineral processing equipment and machinery.

44. In August 1990 the Committee raised a query on the bidding procedures followed. It was explained that international bidding had been carried out by the Purchase Section; however, at the same time, the Government organization had conducted national bidding which had resulted in receipt of bids for some of the equipment items at a lower cost than UNIDO had achieved.

(e) Project US/GLO/89/104 - Pilot Activities for the Establishment of an International Centre for Science and High Technology in Trieste - Purchase of an infrared Fourier spectrometer - $136,532.

45. In October 1990 the Committee was informed that three quotations had been received by the project authorities. On receiving confirmation that the Purchase Section had not been involved until after quotations had been received, the Committee expressed strong reservations about this course of action and stated that calling for proposals was essential to the integrity of the bidding procedure and must be controlled by the Purchase Section and not delegated to project authorities. The Purchase Section confirmed that this point had been raised with the Substantive Office and assured the Committee that, on the occasion of his visit to UNIDO Headquarters, the project director would be thoroughly briefed on correct purchasing procedures to which strict adherence must be obtained. In addition, it was pointed out that UNIDO might be able to obtain more advantageous prices and conditions which would be jeopardized by project authorities seeking quotations.

(f) Project US/RAF/88/102 - Regional Tannery Rehabilitation Scheme - Purchase of equipment for two effluent treatment plants - $107,937.

46. In January 1991 the Committee drew attention to the fact that four of the six companies invited to submit proposals were from one particular country. The Purchase Section informed that a list of potential suppliers had been provided by the Substantive Office since such information was not available in the Roster of Vendors. With regard to potential equipment suppliers, the Substantive Officer confirmed his willingness to provide the Purchase Section with the information available to him in order to assist in the selection of invitees until such time as the Vendors Roster is finalized.

47. In reply to our observation, the Secretariat pointed out that:

(i) informal contacts had also been made with various companies from other countries but they were not interested due to the relatively small amount involved;

(ii) UNIDO required various pieces of equipment for existing effluent plants and was not setting up new plants.

(g) Project DP/CPR/88/039 - Research and Development in Castor Oil Processing - Purchase of a laboratory high pressure hydrogeneration reactor of one litre capacity - $91,428.

48. In April 1991, the Committee on Contracts was explained that eight companies had been invited to submit proposals. During the bidding exercise, revised specifications had been received and subsequently forwarded to all invitees. Seven bids from four companies were received, of which four offers were withdrawn following receipt of the new specifications. The bids were sent for evaluation to the substantive office and the project. It appeared, however, that in the meantime the project authorities had contacted four potential suppliers during a study tour to obtain offers without prior authorization from UNIDO. The project selected a technically acceptable offer from a local manufacturer, as the prices of the other bidders were too high.

49. The Committee expressed its concern that correct procedures had not been followed and that a bidding exercise carried out by the project authorities constituted a violation of Financial Rule 109.16. It was of the opinion that assumption by the field of the bidding exercise was to be regretted, however, bearing in mind that the substantive office and the Purchase Section were in agreement with the evaluations of the project authorities, it did not object to the results obtained. Authorization for local purchase was sent to UNDP, Beijing, instructing them that project authorities should abide by UNIDO rules.

50. We were further informed that the offer in question was the only viable one within the budget.

(h) Project DU/RAF/87/067 - Assistance in Strengthening of ARCEDEM - Purchase of machine tools - $202,684.

51. In April 1991, the Committee was informed that an international bidding exercise had been carried out by the end-user, ARCEDEM, the results of which were submitted to UNIDO together with the evaluation and recommendations as endorsed by the Contract Committee of ARCEDEM. The evaluation was forwarded to the substantive officer in UNIDO who verified that the recommendations proposed by ARCEDEM were correct and confirmed that a repetition of the bidding exercise by UNIDO would incur further delays and would not produce better results.

52. The Committee expressed serious concern that the stipulations of Financial Rule 109.16 had not been adhered to since under that rule only the Deputy Director-General, Department of Administration (DDG/DA), or officials authorized by him were allowed to engage in purchasing activities on behalf of UNIDO. In order for UNIDO to maintain the necessary control over the crucial stage at which potential suppliers were selected and invited to submit proposals, it was essential that the correct procedures be followed. It was therefore unanimously agreed that the Resident Representative in Nigeria, the Economic Commission for Africa (ECA) and ARCEDEM be reminded of this fact in writing. The Purchase Section confirmed that, while it would have contacted the companies listed, it would have included additional potential suppliers from its roster.It further pointed out that a new bidding exercise to be performed by UNIDO, including substantive evaluation and endorsement thereof by the project authorities, and taking into consideration that the average delivery time for such equipment would be six months excluding installation, commissioning and on-site training, would in all probability take nine months and the project was to be completed by December 1991.

53. We were further informed that the Secretariat will not accept this type of request from ARCEDEM in future regardless of urgency involved.

(i) Project UC/PHI/89/074 - Feasibility Study on the Establishment of a Multipurpose Plant for Chemical Synthesis - Separate Report on Pilot Plant Implementation -

54. In August 1991, the Commitee was informed that nine companies from eight countries had been invited to submit proposals; however, only two companies submitted proposals both of which were not found acceptable. Contracts Section went for a second round of bidding inviting three companies from two countries to submit proposals; however, only one reply was received which was judged incomplete. The Department of Health then had requested that a UK company which was already working in the country under a UNIDO contract related to another project, should undertake the study. A technically acceptable proposal from this company was received.

55. The Committee inquired why the company in question had not been on the list of invitees during the first and the second round of bidding. This inquiry led to a discussion on the general procedure of selecting companies from the Roster. The Committee further wanted to know on what basis the list of all companies with the required expertise was narrowed down to those actually being invited. The Contracts Section explained that several criteria have to be followed when selecting companies to be invited to submit proposals. For example, major underutilized donor countries, the Middle East, Asia and other developing countries have to be taken into consideration. Also the list of invitees is based on the experience both the Substantive Office and the Contracts Section have had with certain companies, the information available on the Roster as well as the Government's approval of the subject list. Furthermore, it is quite difficult to select the companies, since the projects to be executed are of a very specific nature.

56. The Committee agreed that, after two rounds of bidding, it was no longer necessary to invite other companies. There was also no doubt with respect to the company's qualification.

D. Limitation of competitive bidding to companies of one country - Industrial Development Fund (IDF) Projects

(a) Project US/THA/90/040 - Pre-investment Studies for Promotion of Supporting Industries - $165,900

57. We noted that in 1991 the Committee on Contracts held lengthy discussions on the interpretation of Financial Rule 109.18: "Formal bidding or calling for proposals" (b) "In the case of particular technical co-operation projects executed by the Organization, however, the basis for procurement may be limited to one or more countries provided such limitation is: ... (ii) "A condition stipulated in the agreement or arrangement with the donor of a voluntary contribution to the Organization of funds used to finance a particular project, and provided the limitation has been accepted by the recipient government or by the recipient non-governmental legal entity in the country concerned".

58. The Committee was informed that, in accordance with the project document specifying national bidding, three companies from a particular country had been invited to submit a proposal. It was explained that this stipulation had not been included in the trust fund agreement.

59. In addition, the Contracts Section stated that, while adhering to the stipulations of the Financial Rules, it was concerned with the project document and the requisition and terms of reference received from a substantive office; it was not the practice of that Section to question the substantive office on the terms of the trust fund agreement, however. The Committee underlined that if a Financial Rule is quoted in the Contracts Section submission, it is the responsibility of that Section to ensure that the stipulations of the Financial Rules have been fulfilled.

60. It was also pointed out that PPD had previously been informed that reference to limitation of bidding to national companies of the donor country in the project document was insufficient. The agreement of special-purpose

donors to the IDF for projects to be financed from their contribution is normally evidenced by an exchange of letters. Thus limitations regarding bidding should be contained in the letters concerned.

61. The Committee agreed that, in accordance with the stipulations of Financial Rule 109.18 (b)(ii), no recommendation could be made until it was provided with copies of an exchange of letters between the Director-General and the donor specifying the limitation to national bidding. In this connection, it was also deemed necessary that the same donor government authority with which the trust fund agreement was originally concluded should be requested to sign such agreement.

62. In a memorandum of 26 July 1991 submitted to the Director-General regarding 'Donor stipulation of national competitive bidding' the Legal Service recommended that every effort should be made to anticipate the need for national competitive bidding by including an appropriate stipulation to this effect in the trust fund (TF) agreement or exchange of letters concluded at the time the contribution is accepted. This memorandum referred to both TF- and IDF-contributions, since the words "trust fund agreement" referred to a trust fund contribution and the words "exchange of letters" referred to the case of an IDF-contribution where no trust fund agreement was concluded.

63. The Committee was explained, however, that when a donor makes a special IDF-contribution to finance a number of projects, he does not necessarily want all projects to be confined to national bidding. Accordingly, he will state his wish in the project document, as to whether a project should be confined to national bidding or not. On its question why this could not be done at the beginning, i.e. at the time of the contribution, the Committee was further explained that this would be a blank condition and was, therefore, not possible in the case of an IDF-financed project. In the case of a TF-contribution, advance specification of limitation to national bidding would indeed be possible. As for the project in question, negotiations had been held with the donor Government who had made several contributions to the IDF-fund, including one of $1.4 million and another of $1.6 million for different types of feasibility studies. At that time, it was not yet known definitely which projects would actually be financed. The project document was considered the basis for implementation out-lining, inter alia, whether national of international bidding was envisaged. This document was always given to the donor for approval. In the case being discussed it had been the Permanent Mission which as the representative of the Government, accepted the project document. Financial Rule 109.18 (b) (ii) clearly reflected the present situation and it was also clear that UNIDO had to follow this rule. A statement in the project document regarding limitation to national bidding is equal to exchange of letters between the Director-General and the donor represented by the Permanent Mission.

64. In the view of the Legal Service, however, the rule required a stipulation in connection with the transfer of funds and not a stipulation in the project document. As, subsequently, the idea was advanced that financial rule 109.18 (b)(ii) did not refer to IDF-contributions but only to TF-contributions, the Legal Service emphasized that Financial Rule 109.18 entitled "Formal bidding or calling for proposals" dealt with that issue in a general sense. No distinction whatsoever was made in subparagraph (b)(ii) of the rule between TF- and IDF-contributions, rather the reference was to the donor of a "voluntary contribution" which expression clearly encompassed both TF- and IDF-contributions.

65. The question was then raised as to whether a project document was to be considered as an 'arrangement' - mentioned in Rule 109.18 (b)(ii) "A condition stipulated in the agreement or arrangement with the donor of a voluntary contribution ..." - or not? If a project document could not be seen as a formal agreement, it was definitely an arrangement.

66. Since there was clearly a basic problem with regard to the Financial Rules, it was suggested that a solution should be found for now and for the future to avoid unnecessary lengthy discussions and substantial delays.

67. In this connection, the Project Review Committee (PRC) Secretariat confirmed that experience with implementing IDF-financed projects showed that:

(i) the Government counterpart was always the Permanent Mission (representing the Government) and, therefore, all correspondence was between the Permanent Mission and UNIDO;

(ii) strict standards were followed in the preparation of a project document and, where applicable, limitation to national bidding was indicated;

(iii) agreements between the donors and the recipient Governments already existed in the case under review.

68. The approval of the case was nevertheless postponed subject to consultation with the Director-General on the very basic disagreement regarding the interpretation of the Financial Rules of UNIDO.

69. We noted that, pursuant to the decision reached with the Director-General on the subject of interpretation of the Financial Rule governing national competitive bidding, a memorandum for the Project Review Committee was being prepared outlining the procedure to be followed. For all projects (to be) financed from IDF contributions a paragraph was to be added to the letter from the Secretariat to the donor government authority requesting acceptance/approval of the limitation to national competitive bidding.

(b) Projects US/GLO/89/163 and US/GLO/90/292 - Feasibility Study on Modernization of ELPESA Plant - $186,150

70. In August 1991 the Committee was requested to award a contract following national competitive bidding. Due to the similarity of this case to the one mentioned above (a), it was decided that no recommendation on this case would be made; the opinions of the Committee members remained unchanged and the question of agreement to national competitive bidding in the form of an

exchange of letters between the Director-General and the donor with which the trust fund agreement had originally been concluded had to be settled with the Director-General.

(c) Comments

71. As for the projects, mentioned above, we noticed that in October 1991 the Permanent Mission of the donor country informed the Project Review Committee Secretariat that its Government 'had no objections' to proceeding with national bidding as specified in the project documents.

72. Since, in our opinion, the donor government authority's statement of "having no objections to proceeding with national bidding as specified in the project documents" cannot be considered to be the "condition" laid down in Financial Rule 109.18 (b)(ii) for limiting the competitive bidding to companies from one country, we recommended that every effort should be made to anticipate the need for national competitive bidding by including an appropriate stipulation to this effect in the Trust Fund agreement or exchange of letters concluded at the time the contribution is accepted. This might counteract any risk involved in officials subsequently dealing with this aspect on an ad-hoc basis. The intent of the Financial Rule is clearly to minimize potential for abuse by requiring that any stipulation must be included in the basic agreement with the donor.

73. The Secretariat agreed that the donor stipulation of national bidding is to be made in the financial agreement or as a condition in a letter from the donor governments.

74. With regard to Financial Rule 109.18 (b) (ii), which is intended to minimize the potential for abuse of stipulations limiting competitive bidding to companies from one country, the PRC Secretariat agreed fully that in the cases of special purpose donors that wish to stipulate national bidding for projects financed by them, this should be anticipated as far as possible. To this end, every effort is made to ensure that this point is clarified at the time of concluding the agreement between UNIDO and the donor covering the donor's contribution to the IDF or an individual project. If the donor wishes to stipulate national bidding for all projects funded by it, this is included in the basic agreement, wherever possible. If the donor wishes to stipulate national bidding for only some projects, this fact is indicated in the project document, in the specific agreement for the project or in the exchange of letters at the time that the donor agrees to finance the project. Its inclusion in the project document ensures that the stipulation is known and agreed to by the recipient country(ies).

75. We were further explained that in the cases of the two projects mentioned above the problem arose because, while the donor Government was quite clear in its intention that competitive bidding should be limited to companies from that country, it was hesitant to stipulate this limitation in writing; therefore the formulation was agreed upon that it had "no objections to proceeding with national bidding as specified in the project document". Similarly, the PRC Secretariat has been informed by another donor Government that is is against its official policy to limit competitive bidding to companies from its country, but that nevertheless in specific cases it would wish to stipulate national bidding and would require an appropriate formulation to indicate this for inclusion in the letter agreeing to finance the project. Therefore, PRC Secretariat proposes to use the expression "has no objections to". The inclusion of the stipulation in the project document will ensure that it is known and accepted by the recipient country from the outset.

E. Restriction of "competition" to one company - IDF-financed projects

Project US/RAS/90/075 - Programme for Rational Use of Energy Resources in Steel and Textile Industries - $108,279

76. Approval was requested for the award of contract to the Energy Conservation Center (ECC), to carry out the services required, this company having been indicated in the project document which was approved by the donor country.

77. The Committee on Contracts unanimously agreed that it maintained its position, as in past cases, that indication of a company in the project document was contrary to the stipulations of the Financial Rules and unacceptable on the grounds that it prejudices the selection procedure for awarding the contract, constitutes a fait accompli situation and preempts the role of the Contracts Committee to make a recommendation on the company to be selected. The Committee further recalled that lengthy discussions had been held at recent Committee meetings regarding the limitation to national competitive bidding and the Committee reiterated its position that such a stipulation must be approved by the donor authority at the time the funds are accepted by UNIDO by means of an exchange of letters.

78. Only after the Committee was informed of the exchange of letters between UNIDO and the donor authority stating the donor's stipulation limiting competitive bidding to one country, it agreed to recommend approval of the award of contract.

79. Our audit revealed, however, that in the letter dated 25 November 1991 from the Permanent Mission of the donor country it was stated that its Government had "no objections to proceeding with national bidding as specified in the project documents"

80. In this connection, we refer to paras. 71-75 above.

F. Retention of Tendering Documents

81. In order to examine the validity of the reasons put forward by the Substantive Office for rejecting several proposals relating to contracts for certain projects, we requested both the Substantive Office and the Contracts Section to provide us with all proposals submitted by the bidders for those contracts.

82. We were, however, informed that the proposals in question, except for the ones submitted by the Contractors, had already been discarded, although the bidding exercises concerned were conducted only in 1990.

83. Our request related to following contracts:

* DP/GUI/89/003 - Preparation of the framework industrialization guidelines of the Republic of Guinea - $293,408.

* SI/IVC/89/805 - Formulation of a strategy and plan of action for the development of the capital goods sector - $124,102 - All proposals rejected but one.

* SI/IVC/89/806 - Formulation of a strategy and plan of action for the development of the agro-food sector - $95,160 - Six offers received, four of them rejected.

* SI/IVC/89/807 - Formulation of a strategy and plan of action for the development of the wood and woodworking sector - $119,963 - All offers rejected but one.

* SI/IVC/89/809 - Formulation of a strategy and plan of action for the development of the coffee-cacao sector - $89,100 - All proposals rejected but one.

* DP/BKF/86/006 - Formulation of strategies and programmes of action for the development of the fruit and vegetable and oil seeds sectors in Burkina Faso - $119,162.

84. We noted that the technical content of each proposal for these contracts was evaluated on the basis of its quality with regard to the methodology, workplan and team of experts proposed and their coherence with the expected results as described through the Terms of Reference.

85. With regard to project SI/IVC/89/805, for instance, we observed that a less expensive proposal was rejected, inter alia, because on investment programme the company concerned mistook "fiche de projet" (= TOR) for "document de projet" (using UNDP format), although these two types of documents aim at different targets: while the former should assess the profitability of the project, the latter should rather underline its impact in terms of welfare, or collective benefit. As for the Government's role in the process through reforms of administrative procedures, incentives, taxation ..., this point was reportedly barely sketched in three lines in that proposal.

86. We asked Management whether, before rejecting such proposal, it shouldn't have requested the company to provide UNIDO with clarification on weaknesses in its proposal which were possibly due to misinterpretation of the Terms of Reference.

87. As stated in para. 32 of doc. PBC.7/13 of 26 March 1991, mentioned before:

(i) the Contracts Section does not engage in formal competitive bidding exercises but calls for competitive technical and cost proposals;

(ii) such a practice makes it possible for UNIDO to negotiate with companies regarding the technical and commercial aspects of their proposals as and when required and in the best interest of the Organization.

88. We further drew attention to the fact that the early discarding of bidding documents hinders the external auditor from examining - in accordance with Financial Regulations 11.3 and 11.4 - the efficiency and effectiveness of the relevant part of UNIDO's internal control mechanisms and management.

89. We, therefore, requested Management to provide us with the instructions in force for UNIDO on the retention of purchase/contract files, in general, and of tendering documents, in particular.

90. In reply to our observations, Management stated the following:

(i) As regards project SI/IVC/89/805, fourteen firms from six countries were invited to tender for the contract. Pursuant to that, six negative (due to other commitments) and five positive replies were received. Two companies failed to respond to UNIDO's enquiry. Two of the companies invited decided to join forces and submitted a single proposal whilst one of the invitees failed to provide its proposal notwithstanding its earlier positive response. As stated in the Substantive Office's evaluation, three of the four proposals received were not acceptable and were rejected on technical grounds.

(ii) Likewise, it should be noted that direct negotiations with firms are entered into only if and when requested by the Substantive Office concerned and after reference to/endorsement by the Committee on Contracts. However in this specific case, the Substantive Office did not request the Contracts Section to enter into negotiation with the firms concerned. The fact that negotiations were not entered into in this case does not, in any way, contradict earlier statements and current practices as reflected in paragraph 32 of PBC.7/13 of 26 March 1991. At this juncture, might we clarify that all invitees are at liberty to request additional information or clarifications on the terms of reference, prior to the preparation of their proposals, by contacting the Contracts Officer concerned whose name, full address, telephone, telex and facsimile numbers are provided in each request for proposal.

(iii) However, as a rule, the Contracts Section does not entertain any request for information or clarification during the proposal evaluation process nor does it, at that stage, accept conditions to or modifications of the proposals received.

(iv) Management sincerely regrets that the Substantive Office concerned discarded, after completion of the evaluation and award of the contract, all copies of the proposals received (two full sets of the proposals received are unfailingly provided to the Substantive Officer

concerned for his review). The Contracts Section retains a copy of the successful proposal which is subsequently quoted in the formal contract and kept in the relevant contract file.

In view of the External Audit's observation, the Contracts Section has already been directed to retain a full set of the proposals received pursuant to each request. All such proposals may be kept in the Contracts Section or sent to Archives where they will be stored indefinitely.

91. In our opinion, in open and restricted tendering procedures, especially for larger contracts/purchases the companies should be allowed to clarify their proposal. If, for a given contract, tenders appear to be abnormally low in relation to the transaction, before it may reject those tenders Management should even request the tenderers, in writing, to justify their offer. Any modification of proposals should, on the contrary, not be accepted.

92. We further insisted to be provided with the instructions on the retention of contract/purchase files, in general, and of tendering documents, in particular.

93. In this connection, we were informed by the Secretariat that individual Purchase Orders files are kept in the Archives for five years and then discarded. The Purchase Order file will contain all relevant documentation related to the order including, where applicable, a copy of the original tender/enquiry, the successful offer received and a summary/tabulation of all offers received; it is, however, not always possible to include in the Purchase Order file all offers received due to the volume of material which is involved.

94. We recommend that, for audit purposes, all offers received for purchase/contracts which have to be submitted to the Committee on Contracts should be kept in the files for at least two years.

Waiver of international competitive bidding

A. In general

95. Our audit revealed quite a number of instances where purchases/contracts were awarded without calling for competitive proposals.

96. In this connection, the Secretariat pointed out that whenever a waiver of the competitive bidding requirement was requested, same was made in conformity with the relevant Financial Rule of UNIDO and in all such cases a written justification was provided.

97. We informed the Secretariat that we were aware of the fact that the various requests for awarding purchases/contracts without calling for competitive proposals had been made in conformity with the relevant Financial Rule of UNIDO and that a written justification had been provided, but that the intended purpose of our observation was to illustrate possible weaknesses in the preparation of the projects/contracts/purchases as well as in the rosters.

98. We observed that, in our opinion, for several of these cases proper preparation of the projects/contracts concerned and/or earlier updating/expanding of the rosters might have made it possible to have the purchases/contracts incorporated in a calling for international competitive proposals, possibly resulting in better prices.

99. The Secretariat stated it could not agree with our observation. In its opinion:

(i) There should be a clear distinction between the preparation of the project and the preparation of the contract. The Contracts Section is not involved in the preparation of the project.

(ii) There is no direct connection between the "proper preparation of contracts" (the contract being the last document prepared pursuant to a competitive bidding procedure) and the success of a bidding procedure.

100. We are nonetheless of the opinion that earlier updating/expanding of the rosters as well as proper preparation and planning of the projects and the project budgets, especially with respect to the services to be rendered and the equipment/goods to be supplied, might have resulted in having certain of these purchases/services incorporated in a competitive tendering procedure.

101. We further commented upon some cases in a more extensive way, showing:

- on the one hand, positive results of some calls for competitive proposals;
- on the other hand, procedural weaknesses often hindering Management organizing the competitive tendering exercise required.

B. Some typical cases

(a) Project DP/RWA/88/004 - Drawing up of a reference programme for industrial and craft development in Rwanda.

102. The project document featured a contract aimed ultimately at formulating a comprehensive package of recommendations toward an integrated, self-sustained development of those enterprises responding to the "basic needs" of the population (health, education, lodging, clothing, maintenance).

103. Thirteen companies from ten countries had been invited to submit proposals and nine offers were received. The five least costly offers had been evaluated and the least-costly proposal (in the amount of $252,140) had been found to be the lowest technically acceptable offer.

104. We noted from the evaluation report of 22 March 1990 that an offer from another company, in the amount of $266,556, was technically rejected because the methodology proposed was considered to be not acceptable. According to the evaluation report, this proposal included a fairly detailed part devoted to the methodology. However, this remained at a general level, as the approach proposed here (especially through

phase I: "Analysis and diagnostic study of existing industrial and craft activities") had not been tailored to cope with the specific features of the work. For instance:

(i) Nothing was said regarding the sampling procedure that would define the boundaries of the industrial survey in Rwanda.

(ii) The company proposed to work out an intra-industrial flows matrix without acknowledging the problem of the large "holes" that such a matrix would certainly display here, given the fact that an important component of the Rwandese industrial fabric, namely the agro-industries, was not to be directly considered here.

(iii) In its formulation of strategic scenarios, the company adopted an outward-oriented view, focusing on external variables like world prices and demand, share on international markets, while paying little attention to the precise domestic targets, listed in the Terms of Reference (TOR).

(iv) Similarly, the general concept of sub-system was often referred to, without defining its boundaries and links with the "final demand" objectives that define the scope of the present contract (TOR).

105. Our audit also disclosed, however, that the external call for bids was initiated on 22 January 1990 (closing date 27 February 1990) and that already on 29 January 1990 UNDP, Kigali forwarded to UNIDO Headquarters a formal request of the Rwandese Government, seeking assistance in financing and executing a sectoral study on the agro-based industries. The requested study would be fully integrated in the DP/RWA/88/004 project. According to the justification given by the Substantive Office on 29 May 1990, the global outcome - in terms of the methodology and the substantive content of both the studies - would be undoubtedly technically superior if both the studies were emerged from the very beginning. For instance, the scope of the combined study would encompass the entire industrial sector. Thus, quantitative, powerful tools like an intra-industrial flows matrix could be worked out. A complete industrial informations system could be envisaged. But for methodological reasons (i.e. statistical constraints), this would be possible if and only if the data were collected and processed in a homogeneous manner, with rigorous sampling methods, consistent approximations underlying any aggregation, inter- or extrapolation of data, etc. In other words, if the data would be collected and processed under a unique supervision. In terms of the cost involved, it was clear for the substantive office that the solution of a contract extension was the most cost-effective, given the following facts:

(i) There were clearly economies-to-scale in combining the study on agro-based industries with the on-going contract, in terms of travel, expertise required (a.o. one team leader instead of two) data collection and processing ...

(ii) There was an overlapping between the respective areas of industrial activity covered by the two studies: for instance, clothing is closely intertwined with the textile subsector (being part of the agro-based industries).

As far as the workplan was concerned, the Substantive Office stated that the Government was eager to proceed, as early as possible, with the study on agro-based industries. Considering that if UNIDO went through a separate external call for bids, the work would not start before six months, the Government recommended the solution of an extension to the contract, provided of course the relevant competence of Inter-G in the field of agro-industries be assessed at the earliest.

106. In June 1990 the Committee on Contracts agreed to recommend waiver of competitive bidding in favour of the Contractor and approval for the Contracts Section to enter into direct negotiation with that company for the extension of this contract.

107. In November 1990 the Contractor submitted a proposal for a study of agro-based industries to be combined with the basic-needs oriented studies, subject of the original contract. This proposal was evaluated by the Substantive Office and was considered to be technically fully acceptable. In particular, an intra-industrial flows matrix would be established. The Contracts Section confirmed that the Contractor was performing the work according to the contract and was submitting the necessary reports which had been approved by the Substantive Office. The work under this contract as well as the studies specified in the contract amendment were scheduled to be completed by April 1991. The Committee agreed to recommend the award of a contract amendment in the amount of $200,000.

108. In view of the fact that:

(i) the calling for proposals procedure was initiated on 22 January 1990, with closing date on 27 February 1990;

(ii) on 29 January 1990 the request from the Rwandese Government for a complementary study on agro-based industries was forwarded to UNIDO headquarters by UNDP, Kigali;

(iii) combining the studies would make it possible to have quantitative, powerful tools, like an intra-industrial flows matrix developed;

(iv) at the time of evaluation of the proposals for the original contract (March 1990) the Substantive Office knew that such matrix was offered by one of the bidders;

we asked Management to inform us of the reasons why:

(i) UNIDO on receipt of the request from the Government for the complementary study didn't immediately decide to ask all companies which were invited to submit proposals for the original contract, to include this study in their offers;

(ii) the request from the Government was only evaluated by the Substantive Office in May 1990, i.e. possibly too late for organizing a call for international competitive proposals for a comprehensive study on the entire industrial sector.

109. In our opinion, the arguments put forward by the Substantive Office in its "Justification" of 29 May 1990 for having the complementary study carried out by the selected Contractor, were even more valid for having a call for international competitive proposals organized for a comprehensive study on the entire Rwandese industrial sector.

110. In this connection, we further noted from the Project Performance Evaluation Report (PPER) received by UNIDO in March 1991, that the Contractor started the original contract in June 1990 and the complementary study in December 1990. Therefore, in our opinion, an immediate call for competitive proposals for a comprehensive study wouldn't have delayed much the implementation of the contract, the more that it would have resulted in even more cost-saving in terms of travel, required expertise, data collection and processing, and supervision.

111. In reply to our observations, Management stated the following:

(i) The fax dated 29 January 1990 from UNDP, Kigali to UNIDO Headquarters is by no means a formal request from the Government. Neither the technical contents of the study nor the source of financing were explained in that facsimile.

(ii) In May 1990, the Substantive Officer travelled to Kigali and met the government authorities concerned. At that stage, it was decided that a consultant would be fielded at the earliest to finalize the TOR already drafted by the Government and to provide a cost estimate for the study. The consultant was fielded in June and submitted his report in August.

(iii) During a second mission to Rwanda by the Substantive Officer (September 1990), the report was discussed and an agreement on the funding of the study was reached with UNDP, along with an agreement on the final version of the TOR. In September 1990, this final version of the TOR was faxed to Inter-G, after the Committee on Contracts had endorsed the request for a waiver of the competitive bidding requirement. The waiver was approved by the UNDP and the recipient Government.

(iv) Early in November 1990, the proposal submitted by the Contractor was received and accepted by the Substantive Branch, and the case was submitted again to the Committee on Contracts (16 November 1990) for its final, formal approval.

112. We underlined that the Substantive Office in its Interoffice Memorandum of 29 May 1990 explicitly stated the following: (inter alia)

(i) UNDP Kigali forwarded to UNIDO Headquarters a formal request of the Rwandese Government, seeking assistance in financing and executing a sectoral study on the agro-based industries.

(ii) In terms of the methodology and the substantive content of both the studies, the global outcome would be undoubtedly technically superior if both the studies were emerged from the very beginning. For instance, should the latter solution be followed, the scope of the combined study would encompass the entire industrial sector. Thus, quantitative, powerful tools like an intra-industrial flows matrix could be worked out. A complete industrial informations system could be worked out ...

113. We remain of the opinion that, since the Substantive Office already in March 1990 knew that one of the bidders proposed to work out an intra-industrial flows matrix, UNIDO - before awarding the contract - should have requested all companies which had been invited to tender for the original contract to submit new offers including the study on the agro-based industries.

(b) Project DP/ZAI/86/006 - Planning and promotion of industrial development - Identification/preparation of strategies and plans of action for priority industrial branches

114. In 1988, proposals from 23 companies had been requested and nine responses had been received. After evaluation, an offer in the amount of $757,440, was selected, the three cheaper proposals not being technically acceptable.

115. In December 1990 the Committee on Contracts was informed that additional activities had been performed by the Contractor for which the approval for an amendment in the amount of $176,666 was now requested. No contract amendment had been prepared at the time the work was to be carried out (May 1989) since the relevant budget increase had not been approved and was in fact not approved until June 1990. The Substantive Office provided the Committee with detailed background information on the additional contractual work performed at the request of the recipient Government with the approval of UNDP in Kinshasa. It confirmed that both the Substantive Office and the Contracts Section had been kept informed of this ad hoc decision taken by UNDP, Kinshasa, and the request to UNDP, New York, to approve the relevant increase of the budget. However, UNDP, New York, delayed approval of the budget increase pending the recommendations of the in-depth evaluation exercise which took place in June 1990.

116. We noted from the Substantive Office's memorandum of 3 December 1990 that the contract activities started in the field during October 1988, with the large-scale, quantitative industrial survey, requested in the TOR. The

industrial survey was, reportedly, to be conducted on the basis of a pre-defined, representative sample of industrial enterprises in Zaire. Local authorities however disagreed with the very content of the industrial sample, and imposed instead a significantly broader coverage of the industrial sector. In May 1989, a draft contract amendment was submitted by the Contractor to both UNIDO and UNDP, Kinshasa. Financial compensation was sought to cover the following 'departures' from the terms of the contract:

(i) The substantially broader scope of the industrial survey (The sample of companies had reportedly been increased from 25 to 50), hence an increase in the necessary expertise and related transportation costs;

(ii) Unforeseen requirements in terms of the Contractor's commitment to local consultative processes in an attempt to grant effective implementation of the project's recommendations;

(iii) Additional needs for data processing, and preparation/editing of detailed case-studies.

117. We further noted from the in-depth evaluation report of June 1990: "The whole technical review process should have lasted eight months as far as the subcontractor's input was concerned. Twenty months after the start of operations, he was still only at the very beginning of the fourth stage. These significant delays were due to several factors:

(a) The difficulties in the survey already indicated;

(b) The extension of the field of investigation: at the insistence of the national authorities, the industrial survey was extended to a broad sample of 140 enterprises with 149 production units in almost every region of the country, a field of investigation well beyond the 80 enterprises and two regions envisaged by the subcontractor;

(c) The somewhat cumbersome methodology used;

(d) The time lapses required for dialogue between the subcontractor on one side and the other contributors to the project: project experts and consultants, Centre for Industrial Promotion and Research (CEPI) advisers and others;

(e) The revision of certain documents produced by the subcontractor, at the request of UNIDO and the project management, who consider them inadequate;

(f) The uncertainty concerning payment for services and additional work by the subcontractor, who seems to have slowed his efforts in the past few months."

118. We furthermore noted from the PPER, received by UNIDO in September 1990: "The contractor is now behind schedule in submitting documents on the strategies and plans of action which serve as a basis for following up on agreements. He has not properly carried out the transfer of know-how ...".

119. With a view to investigating the possibility that the Contractor (as against its competitors) might have had substantially underestimated the scope of the industrial survey to be carried out, we requested both the Contracts Section and the Substantial Office to provide us with the proposals submitted by the other bidders in 1988. We were, however, informed that these proposals had already been discarded.

120. In reply to our observations, Management stated the following:

(i) The contract amendment granted post facto was issued to cover additional costs incurred by the Contractor pursuant to the significant broadening of the census-base for the industrial survey. This was imposed by political pressures and had little, if anything, to do with improving the pre-established survey sample.

(ii) Therefore, the Contractor cannot be accused of having underestimated the magnitude and related cost of the survey.

(iii) Similarly, it is not entirely fair to hold the Contractor solely responsible for whatever delays have been reported so far. Consideration has also to be given to prevailing "local conditions".

121. We underlined that the intended purpose of our audit was not to examine all reasons for the delays in the implementation of the project in question, but to investigate whether the Contractor - as against his competitors - did not underestimate the contract requirements. The principle of equality of treatment of tenderers should, in our opinion, not only be adhered to while evaluating the proposals and selecting the Contractor/Supplier but also during the implementation stage of the contract/purchase order.

(c) Project DP/IND/86/037 - Jute Research and Development (Phase II)

122. In December 1988, the Committee on Contracts had recommended award of contract without international bidding in the amount of $60,000 on the following grounds.

(i) The company concerned was the only research and development institute where research work on jute reinforced plastics had been carried out in recent years.

(ii) During 1979-81 it had carried out a similar investigation in collaboration with the Government counterpart, IJIRA, when it had undertaken an investigation of the potential of jute fibre as a reinforcement for plastics, resulting in several recommendations which were 'now' to be carried out by the Government.

123. In October 1990, approval was requested to negotiate with the company an amendment of this contract to cover implementation of Phase II for research and development work under this project

in the amount of $114,925. It was, reportedly, essential that Phase II be carried out by that company since it was the only institute performing research and development work on jute reinforced plastics in recent years and possessed extensive knowledge of the Indian jute industry as a consequence of the work performed during Phase I. It was also pointed out, however, that expert fees requested, reaching $31,000 per man/month for the team leader, were much higher than those normally implemented by UNIDO (average in the range from $8,000 to $10,000). Increase in expert fees of the Contractor compared to phase I was caused by its recent transformation from a purely scientific and research institution donated by the Government to a commercial contract R & D organization, with Government Treasury being the only shareholder and fixed unnegotiable expert services rates. All attempts made by the Contracts Section starting from April 1990 to negotiate deductions of the rates had not been successful because of the above. However, UNDP and the Government of India accepted these higher fees because of the unique nature of research to be carried out and its importance for achieving project objectives. The Committee agreed to recommend approval of negotiations by the Contracts Section of a contract amendment at a total cost not exceeding $114,925.

124. We observed that, in our opinion, since the claim of excessive high expert services fees resulted, inter alia, from the fact that the company had been awarded a relatively small contract in the amount of $60,000, thus acquiring a monopoly position, the Contracts Section should have organized a call for international competitive proposals. Moreover, the transformation of the company from a research and scientific institution into a commercial R&D organization should have been sufficient grounds for the Contracts Section to search for other valid institutions and companies capable of performing the required services.

125. In this connection, Management reiterated that:

(i) as stated by the Substantive Office, the company concerned is the only R&D Institute where research work on jute reinforced plastics has been carried out in the recent years;

(ii) moreover, phase II is a direct follow-up on the work completed by that company in 1990 under an earlier UNIDO contract.

126. The explanation provided is, in our opinion, not entirely convincing and does not justify why in such case excessive high services fees should be due. Moreover, we cannot agree with the idea that a company through the award of a relatively small contract should be entitled to the implementation of larger follow-up phases of the project in question.

(d) Projects DP/VIE/86/014 and DP/VIE/86/015

127. In June 1990, the Committee on Contracts was requested to recommend approval of purchase of a yarn evenness tester for project DP/VIE/86/014 from a particular company, in the amount of $84,561 under Financial Rule 109.19 (e), propriety articles. The Committee was informed that the project had specified a model made by that company. The Purchase Section provided detailed information on two previous cases for which international bidding had been carried out and orders placed with this company since it had submitted the only technically acceptable offer. Moreover the company in question does not sell licences for its latest models, such as the one required. In addition, it was pointed out that a tester had been purchased from that company for project DP/VIE/86/015 which is the same project with the same counterpart, the institutes involved being located at two different sites, and it was considered essential in terms of exchange and comparison of data that the same tester be purchased for this project.

128. In August 1990 the Committee was further requested to recommend approval of purchase of a yarn tensile tester and a yarn evenness tester from the same company for project DP/VIE/86/014 in the amount of $88,428, under Financial Rule 109.21 (b), lowest technically acceptable offer. In this connection, the Purchase Section informed the Committee that, late in 1988, six companies had been invited to submit quotations. One invitee did not respond, two responded negatively and a further two companies submitted bids for the earlier version of the evenness tester only. The company selected was the only one having submitted a complete and technically acceptable offer. However, purchase of this equipment was held in abeyance pending reconsideration of the priority of items to be procured due to limited funds. In August 1990, the recommendation of the CTA and substantive office to purchase the proposed equipment was received as a result of which the company was requested to update its quotation, which was subsequently evaluated and found to be fully acceptable.

129. In October 1990, the Committee was furthermore requested to recommend approval of purchase of the same equipment (as proposed for project DP/VIE/86/014) from that company in the amount of $92,509 for project DP/VIE/86/015, under Financial Rule 109.19 (c), standardization. The Committee was informed again that the two institutes, located in Hanoi and Ho Chi Minh City, required the same instrument in order to perform the same single thread yarn testing to world-wide recognized standards and to allow exchange and comparison of data between both institutes and other international textile testing institutions.

130. In view of the fact that the call for international competitive proposals had been organized in 1988 and the purchase of the testers concerned as well as of additional ones was only possible in 1990, we observed that, in our opinion, a new call for competitive proposals should have been organized in 1990 for all the testers required by both projects.

131. Management did not agree with our observation.

(i) As far as the Electronic Yarn Evenness Tester is concerned, there are only two manufacturers making this type of instrument. Unfortunately, one of both instruments is less sophisticated,

does not meet the international standards and is therefore not suitable for textile institutes. The other manufacturers are licensees of the company selected and produce only earlier generation models of its equipment. Its evenness tester is used world-wide by textile institutes and calibration institutes as the "Standard Instrument". Therefore, if a project specifies a Zellweger evenness tester, there is actually no need for bidding, since the company concerned is the only source of supply.

(ii) The same argument can be applied to other instrument Tensorapid (Yarn Tensile Tester), albeit to a somewhat lesser extent. However, the capabilities of these two instruments combined could not be offered by any other supplier.

(iii) Management, therefore, concludes that there was and is no need for bidding for these proprietary instruments and that, in this particular case, Financial Rule 109.19(e) fully applies.

(e) Project DP/CPR/85/102 - Compound Fertilizer Technology Centre - $100,000

132. In May 1991, approval was requested for the local purchase of an engineering workstation. The Committee on Contracts was informed that an expert from the company in question had been working with the project authorities for some time in order to finalize the configuration of the required equipment, which was also to be compatible with equipment already supplied to the Centre. For price comparison, the Austrian branch of the company had also been invited to submit a proposal. The offers received were evaluated by the substantive office which recommended purchase from the local company which provided the lower offer and installation/commissioning plus after-sales service would be facilitated by local purchase.

133. The Committee raised the question of local purchase procedures. It appeared that authorization of local purchase action was given in two steps: upon request for local purchase from the UNDP office (in consultation with the subtantive office), potential suppliers were invited to submit proposals and the bids received were forwarded to UNIDO for evaluation and comparison with the international market. If competitive prices had been obtained locally, authorization to purchase was sent, through the Purchase Section, by Financial Services.

134. However, the Committee expressed its concern at the present informal procedure for engaging in local purchase activity which did not allow the essential control by UNIDO Headquarters and which was not in conformity with the requirements of Financial Rule 109.16. The Committee agreed on the necessity that correct procedures be established under Financial Rule 109.16, to be followed for all cases of local purchase over a specified amount.

135. In this connection, we were informed by the Secretariat that the following procedure is now being established. A general authorization is being given to all UNIDO Country Directors (UCD) under which the calling for proposals or tenders may be undertaken locally by project personnel with the approval of the UCD up to an expected value of US$20,000. For purchases or contracts which are expected to exceed US$20,000, prior approval must be requested by the UCD of the DDG/ADM before calling for proposals or tenders.

Negative effects of too slow or inadequate procedures

(a) Project US/SUD/88/266 - Conversion of the Babanousa Dairy Plant into a Karkadeh Powder Production Plant

136. In June 1990 the Committee on Contracts was informed that ten companies from ten countries had been invited to submit proposals and two offers were received respectively :

* in the amount of $299,500 which because of an error in the addition was corrected by the Substantive Office up to $302,500, and

* in the amount of $299,848.

The request of another bidder for an extension of the closing date by four weeks in order to submit a proposal had been rejected. The Committee suggested that this extension could be granted in order to allow this company to submit an offer and to allow both the other companies to submit revised proposals. The Substantive Officer in his evaluation had indeed stated that two experts to be provided by one of these companies were not required for the work foreseen. In this connection, the question was raised by the Committee as to whether the costs for these experts had been included and, should their services not be required and the relevant costs deducted, whether this offer would not be the lowest costed proposal. The Substantive Officer explained that the company had included two experts in agriculture and animal feed which were not required; these would have to be replaced by experts in scientific research, hence the cost of the proposal would probably not change. As to the suggested extension of the closing date, it was pointed out that the donor Government was already questioning the delay in contract award (foreseen for March 1990) and a second bidding exercise would result in further delays.

137. In this connection, we referred to paras. 58 (ii) and 59 of our aforementioned report of 31 May 1988, doc IDB.4/3-PBC.4/12, where we endorsed the idea that "a certain lead time should be included in the planning of the projects in order to avoid questionable grounds of exigency restricting the numbers of companies invited to bid". Similarly, such restriction should also be avoided, e.g. in cases where the UNIDO routine four-week period for preparing quotations appears not to be sufficient.

138. We, therefore, requested Management to inform us of the reasons why, since the contract award had been foreseen for March 1990, the case was submitted to the Committee on Contracts only on 20 June 1990.

139. In reply, Management stated the following:

(i) According to the original work plan, international bidding for"phase I" should have taken place between 1 January and 31 March 1990. However, the PAD was only issued in January and the Government approval of the list of invitees was only received on 3 April. The Contracts Section sent out its request for proposals on 12 April 1990 (closing date 31 May 1990). One invitee requested an extension of four weeks, and the Contracts Section contacted the Substantive Officer concerned, who confirmed that it was not possible to extend the closing date since the donor government was already questioning the delay in contract award. The technical evaluation of that proposal was received from the Substantive Officer on 15 June 1990, and the case was submitted to the Committee on Contracts on 20 June 1990.

(ii) In this specific case, the Substantive Officer could not agree to extend the closing date for one bidder only. However, Management emphasized that if the Contracts Section has not received a sufficient number of proposals by the closing date and two or more companies are asking for an extension same is normally granted.

140. We recommended that:

(i) in cases such as the one in question, where only two bidders have submitted a proposal and even only one other invitee requests an extension of the closing date, UNIDO as a rule should grant the extension;

(ii) a certain lead time should always be included in the planning of the projects in order to avoid questionable grounds of exigency restricting the numbers of bidders.

(b) Project DP/CPR/85/064 - Glass Development Centre - Purchase of a Thermoviewer

141. In December 1987, the Committee on Contracts was informed that four companies had been invited to bid and two offers were received. The lowest in the amount of $52,889, met the requirements of the project and was selected.

142. In July 1990, the Committee was informed that on 16 August 1989 the supplier had advised the Purchase Section that the required export licence would not be granted and the order was cancelled. The only other company who had submitted a proposal in 1987, in the amount of $118,734, was contacted to update its offer. The revised bid, in the amount of $131,372, was evaluated and found to be technically acceptable. The Committee pointed out that the original competitive bidding had taken place in 1987 and queried whether, in the past three years, technical and price developments might have enabled other companies to submit bids. The Purchase Section informed the Committee that the Substantive Office had confirmed that, due to the very specialized nature of the equipment in question, it is still only produced by very few companies and a further bidding exercise would not, in all likelihood, produce positive results.

143. We observed that the Purchase Section instead of requesting only one company to revise its 1987 bid, should - between August 1989 and July 1990 - have organized a new call for international competitive proposals.

144. Management took note of our comments. However, it pointed out that:

(i) pursuant to the first bidding exercise two companies responded out of the four invited;

(ii) the Committee on Contracts recommended approval on the basis of the Substantive Office's evaluation.

145. We recommended that UNIDO, as a rule, should organize a new competitive tendering procedure, whenever important purchase orders cannot be issued within "normal" time limits. Technical and price developments might in the meantime not only have enabled other companies to participate in the tendering procedure but also have resulted in better and/or cheaper models.

(c) Project DP/ETH/83/024 - Engineering Design and Tool Centre - Purchase of raw materials, tool steels, standard spares and consumables

146. In October 1990, the Committee on Contracts was informed that in April 1989 seven proposals were received from the seven companies invited. Four offers were found to be both incomplete and not in conformity with the specifications and were therefore rejected. Of the three remaining and technically acceptable offers, the lowest costed in the amount of $146,672 was recommended. The Committee requested clarification of the apparent conflicting statements in the submission and the substantive evaluation with regard to receipt of revised offers. The Purchase Section explained that the original request for proposal included all items required, approximately 600. After evaluation of bids received, it was decided that the list of items should be divided into three portions. For the first of these portions, the offer of Kennedy was the lowest technically acceptable. Revised bids for the remaining two portions were requested from Toolquip and DGS. It was pointed out that the original offers were dated April 1989. The Committee was of the opinion that all suppliers on the original invitee list should be invited to submit revised offers. However, the Purchase Section clarified that only three companies had been selected since their original offers met best the requirements and specifications. In answer to a query of the Committee with regard to the long time that had elapsed since April 1989, the Purchase Section informed that the facilities at the project site to be provided by the government counterpart had not been ready on time; hence purchase of equipment had to be postponed. Procurement of raw materials etc. was therefore left until last to ensure no damage was incurred.

147. We noted from the PPERs submitted for the project in question that in 1989 UNIDO was

informed of the protracted negotiation of the building contract. We observed, therefore, that, in our opinion, the Purchase Section in 1990 should have organized a new call for international competitive proposals for each portion of items required, thus giving more companies the opportunity to submit suitable offers on the basis of appropriate specifications. In this connection, we further referred to paras. 58 (x) and 59 of our aforementioned report of 31 May 1988, doc. IDB.4/3-PBC.4/12, where we recommended that the possibilities of rebidding should be taken into consideration whenever important purchase orders cannot be issued within "normal" time limits, and better and/or cheaper models might have been developed in the meantime.

148. Management took note of our view. It further explained that all the companies invited had been required to quote for all the items.

(d) Project DP/ETH/83/024 - Engineering Design Centre and Tool Centre - Contract to assist in the establishment of both Centres, and to this end:

(i) produce building designs and specifications for the buildings to house the Centres;

(ii) organize and follow-up proper implementation of fellowship programmes abroad;

(iii) assign long term experts for engineering design, prototype workshop, tool design and tool shop, to organize, set-up and develop the Centres; and

(iv) provide continuous backstopping service from home office and send out ad-hoc consultants for specific needs as required.

149. In September 1987, the Committee on Contracts had recommended approval of negotiations for contract award in the amount of $1,697,903 under Financial Rule 109.21 (b), lowest technically acceptable offer.

150. We noted from the PPER received by UNIDO in May 1988 that the Contractor started his activities in January 1988 and they were expected to be completed in April 1992. We further noted from the PPER received by UNIDO in June 1989 that the starting of project activities had been delayed, first due to delay in signing and approval of the Project Document and 'now' to protracted negotiation of the building contract. The activities to be carried out by the Contractor were then expected to be completed in December 1992. The PPER also contained following recommendations:

(i) The Contractor must take the task of setting-up EDTC seriously, and draw out a comprehensive plan for the development of each of the six outputs of the centre, starting yesterday. The plan must be introduced, tested, and refined during the life of this project.

(ii) The Contractor must be advised to plan, prepare and follow-up the training programme more closely in order to ensure the relevance and effectiveness of the fellowship training.

(iii) The Contractor must set-up his home office backstopping service properly.

(iv) In general the Contractor must show more initiative and effectiveness than that observed to date.

(v) The Contractor's performance should be monitored jointly by UNIDO & the project management every three or every six months, on the basis of a detailed work plan prepared and issued by the Contractor himself after due approval by UNIDO.

151. In November 1990 the Committee was informed that delays in project implementation of almost three years had resulted in the contract with the Contractor being cancelled. The services required for this project were very specific and required four experts to be present at the project site in Ethiopia for two years. However, problems had arisen with respect to accommodation, transportation, schooling, etc., in addition to counterpart delays, and over the past three years some of the Contractor's key personnel for this project had left the company and were no longer available. At the time of contract termination, payments in the amount of approximately $380,000 had been made to the Contractor for the man-months of services it had provided. A reimbursement to UNIDO in the amount of $19,000 had been made by that company. Since the original contract price had been $1,697,903, the balance of approximately $1,300,000 was to be utilized for a new contract. The Committee was further informed that the previous delays of the government counterpart had been resolved and the necessary construction work was completed.

152. Consequently, ten companies from seven countries were invited to submit proposals for the required services and five offers were received. Only one proposal in the amount of $1,559,897, was found technically acceptable but it exceeded the funds available. Pursuant to negotiations with the Contracts Section, the company submitted a revised proposal which, in the amount of $1,261,678, was within the budget and technically acceptable. The Committee asked what percentage of the contract price was estimated for payment upon signature of the contract. The Contracts Section informed that approximately twenty per cent was envisaged for payment upon awarding and signing the contract, as opposed to twenty-five per cent which is normally paid. The Committee requested that such advance payments should be as conservative as possible bearing in mind the difficulties faced by the previous contractor. The Contracts Section confirmed that it would negotiate the lowest acceptable advance payment.

153. In this connection, we referred to para. 176 of our report of 21 May 1990, doc. IDB.7/11 - PBC.6/15, where - inter-alia with regard to project DP/ETH/83/024 - we recommended that appropriate steps be taken to avoid that projects are delayed by shortcomings of contractors, and a penalty clause be inserted in the contracts.

154. In its reply, Management stated, inter alia, that the Contracts Section, together with the Backstopping Officers and the Contractors, is putting special emphasis to the contracts' progress payments being made in relation to expenses incurred (i.e. in accordance with man-months provided) and only upon satisfactory progress of the Contractor's work. Therefore, there is no advance payment except the first so-called down payment. At the same time it guarantees that the Contractors are interested in providing their services in time according to the agreed schedule.

155. In this respect, we further observed that according to Financial Rule 109.23:

(i) only when normal commercial practice or the best interest of the Organization so requires, contracts and purchase orders may be made on behalf of the Organization that provide for a payments or payments on account in advance of the delivery of goods or the performance of contractual services;

(ii) whenever an advance payment is agreed to, the reasons therefor shall be recorded and to the extent possible a warranty from the Government or a bank guarantee obtained.

156. Management confirmed the correctness of our statements concerning the problems connected with this project. It was, however, of the opinion that our reference to paragraph 176 of our report of 21 May 1990 (document IDB.7/11 - PBC.6/15) was misplaced for following reasons:

(i) The delay of this project, as in most cases, is not imputable to the contractors but to the government counterparts.

(ii) EDTC, the government counterpart in question, could not provide adequate accommodation, transportation, schooling, etc. to the Contractor's team as stated in the project document. The Contractor could not commence the work since the buildings were not ready and, therefore, the equipment was not purchased.

(iii) If, for instance, in this case, the contract had included a penalty clause, UNIDO would have had to make substantial payments to the Contractor covering his expenses in connection with personnel standbys.

(iv) Therefore, as stated in the Interoffice Memorandum to the Director, Financial Services Division/DA from Chief, Legal Services and Legal Adviser/ODG dated 25 April 1990 concerning our previous observations, the Contracts Section cannot support the recommendation that a penalty clause be henceforth inserted in the contracts.

157. Concerning advance/downpayments Management stated the following:

(i) UNIDO is following current international commercial practices and complying with Financial Rule 109.23.

(ii) Advance/downpayments do not, as a rule, exceed 20-25 per cent of the total contract price. They are intended to enable contractors to initiate work at their home office, purchase air tickets, cover out of pocket expenses, travel advances to their staff and the like.

(iii) Advance/downpayments are made in one or two parts: after the Contractors' acceptance of UNIDO's award and/or upon signature of the contract by both parties.

(e) Project DP/VIE/86/033 - Processing of Aroma Chemicals and Fragrance Materials - Purchase of a fractional distillation unit

158. In November 1990 the Committee on Contracts was informed that fourteen companies had been invited to submit proposals and four bids were received. Three of them were considered to be technically unacceptable and the remaining proposal in the amount of $171,000, was recommended.

159. In March 1991 the Committee was further informed that since the validity of the quotation expired on 30 November 1990 and the purchase order was only placed on 23 January 1991 when sufficient funds had become available, the cost of the equipment to be supplied had increased in the amount of $11,000, due to inflation. The Committee expressed surprise that, having been told previously that funds were available, it was now informed that this had not been the case. The Purchase Section informed that the Substantive Office had confirmed that sufficient funds were allocated at that time but the purchase order could not be certified by Financial Services since the budget was considerably short of the amount required. The necessary budget revision had been finalized in January 1991.

Involvement of an expert/consultant in the preparation of contract terms of reference/equipment specifications and subsequent participation of that expert/consultant's company in the relevant bidding exercise - Licensing agreements/Patents Rights

(a) Project US/RAF/88/007 - Creation of a Computer Aided Design and Drafting Unit in ARCEDEM (African Regional Centre for Engineering Design and Manufacturing)

160. In December 1990 the Committee on Contracts was informed that six companies from six countries were invited to submit proposals and four offers were received, one of which was only a partial offer, the second part of which was received after the deadline. Pursuant to a meeting between the Executive Director of ARCEDEM, the Substantive Officer and the project expert, it was decided to delete the CAD/CAM training component and revised proposals were requested from three of the four bidders, discussions having already taken place with representatives of one company. The four

amended proposals were evaluated and the offer submitted by Ecocad Italia SRL, Italy, was considered to be technically fully acceptable and the lowest costed. It was noted that, during the first bidding procedure, it had been the highest. The Committee drew attention to the fact that a serious procedural flaw was evident in that the expert who had been hired to prepare the terms of reference for the CAD system and who worked for Ecodad was present at the meeting in Vienna on 20 September 1990 during which it was decided to eliminate the training which could be executed by an expert of the eventual contractor. The Substantive Officer informed the Committee that, although one of its experts had been hired to prepare the terms of reference, it was not UNIDO's practice to exclude a company from the invitee list on these grounds. The Contracts Section confirmed that it was not aware of, nor did it participate in either of the meetings held in Vienna but assured the Committee that the terms of reference to be used for the bidding exercise were both very detailed and neutral. The Committee pointed out the large difference in the costs of the two proposals submitted by Ecodad which might indicate that the terms of reference had been "tailor made" for that company. The Contracts Section clarified that, due to the complex nature of the proposals submitted during the first bidding exercise, it had not been possible to extract the relevant costs for training; hence the second round of bidding. In addition, it was pointed out that all the proposals originally received exceeded the project budget. While taking note of the explanations provided by the Contracts Section and the Substantive Officer in this connection, and while also noting that the Financial Rules did not stipulate exclusion of a company on the grounds that one of its experts had prepared the terms of reference of a project, the Committee maintained its opinion that Ecodad, through the involvement of one of its experts, had had a potential advantage during the second bidding exercise and that therefore the whole bidding procedure was flawed. It therefore recommended that a third competitive bidding exercise should be carried out which should include the six companies originally invited to submit proposals plus additional companies to be identified by the Contracts Section.

161. We fully endorsed the observations and recommendations made by the Committee on Contracts. We further recommended that the basic principles of competition always be strictly adhered to. Appropriate instructions or an amendment to the Financial Rules should, therefore, be issued in order to exclude a company from participating in a bidding exercise when the specifications or the terms of reference have been prepared by one or more of its experts. Even when the specifications or terms of reference are neutralized, they might be "tailor-made" for that company, taking into account e.g. the specificity of its in-house expertise and/or its stocks of materials available.

162. Management confirmed the correctness of our statement.It further pointed out that:

(i) Contracts Section was not informed of nor participated it in any meeting with the company;

(ii) likewise, it was not aware of who was involved in the preparation of the terms of reference.

163. We further observed that in May 1991, the Committee on Contracts was informed of the outcome of the third bidding exercise carried out for the services in question. Eleven companies had been invited to submit proposals and five offers were received. Two of them were considered to be technically unacceptable and the then lowest offer, from ECODAD, was recommended.

164. The Committee raised the question of participation of experts in the preparation of terms of reference and whether the companies with which such experts were originally employed should be included in the list of invitees. It had been noted during the first discussion of this case that an expert from ECODAD had participated in drawing up the terms of reference for the services to be provided under this project and both the Committee and the External Auditors had expressed concern on this point, the former sending back the case for a new round of bidding. The representative of DIO explained that there were two methods of preparation of terms of reference: [1] by hiring qualified personnel from a company to assist in preparation; and [2] by preparing "simple" terms of reference which, on the basis of evaluation of the proposals received, are revised to incorporate the necessary detail for a subsequent bidding exercise. While the second method was preferred, it was both time-consuming and posed the problem of rejecting the offers received during the first bidding exercise.

165. While the view was expressed that it was impossible for substantive officers to prepare detailed terms of reference in the wide scope of UNIDO's activities, applying the first method involved the risk that terms of reference could be tailor-made to the expert's company. In this connection, the Purchase Section emphasised the importance of detailed and neutral specifications on which to base the competitive bidding.

166. The Legal Service was of the opinion that if an expert is hired for this purpose, the company for which he/she works should not be included in the invitee list.

167.The Contracts Section felt that this was not possible since it could lead to a situation whereby no suitable expert would be willing to participate in the preparation of the terms of reference for which his company could not bid. The Committee decided that this point should be raised with DIO officers.

168. In July 1991 the Committee was informed that the DDG/IO had been approached and a questionnaire had been prepared and distributed to all substantive officers requesting information on recruitment of experts for the formulation of terms of reference and neutral specifications.

169. From the Interoffice Memorandum dated 1 November 1991 on the "Summary of the Response to the Questionnaire related to the Modalities and Neutrality of the Terms of Reference", we noted following findings: (inter alia)

- The questionnaire had been distributed among 77 professional staff members of DIO; 57 responded.

- The backstopping officer (BO) prepares the Terms of Reference (TOR) in 75 per cent of the cases, leaving that duty to the counterpart in 18 per cent, and to recruited consultants in 7 per cent of the cases.

- The prepared TOR which are included in the project document are considered in 86 per cent of the cases as preliminary and only in 14 per cent as final.

- The preparation work of the final TOR is distributed amongst the Chief Technical Adviser (CTA) in 39 per cent of the cases, BO in 36 per cent and recruited consultant in 15 per cent.

- In cases of recruiting an external consultant, the reason given is the narrow specialization (93 per cent) and the request of the counterpart or the need for accountability are equal (3.5 per cent).

- Twenty-two per cent of the BOs considered the future involvement of the company as proper for future project execution when recruiting the consultant, and 32.5 per cent judged that it does not matter; 45.5 per cent considered this future involvement as improper.

- In cases of "tailored" TOR, 72 per cent of the BOs reported that they always change such TOR by themselves, however changes sometimes occur in 25 per cent of the cases, and never in 3 per cent. In these cases, additional explanations have been given why it is too difficult to change very specialized TOR.

- Twenty-five per cent of the reporting BOs judged that participation of the companies in bidding, in cases when their consultant has prepared the TOR should be decided by the Committee on Contracts; 11 per cent considered that such participation should be excluded; and 34 per cent advised to keep the status quo.

- The introduction of such a forbidding rule, however, is not considered very harmful to UNIDO. Fifty-six per cent of the reporting BOs thought that UNIDO would not have many difficulties with recruitment of consultants; 32 per cent considered that UNIDO would not have any difficulties; and only 12 per cent foresaw some difficulties.

- Very few (17 per cent) were able to report the names of companies in which double involvement is allowed (consultant prepares TOR and his company executes the contract). In 83 per cent of the cases the answer was negative showing that the standard of international modalities forbids double involvement (preparation of TOR and execution of contract).

- UNIDO could take two positions:

  (i) Issue a Financial Rule forbidding the practice of double involvement. In the opinion of 88 per cent of the respondents, this would not have any impact on the project implementation performance. However, controlling the application would be difficult.

  (ii) Introduce a procedure (like in cases of avoiding international bidding) when including company on the bidding list where previous involvement of its staff in TOR preparation has taken place, the clearance of the Committee on Contracts is required; positive decision based on the potential valuable contribution of the company. This would be more practical and would allow for a more elastic approach in a few specific cases.

170. We were further informed by the Secretariat that it is almost impossible to prepare terms of reference for consulting services which would be tailor-made and that, therefore, the company whose expert is assisting UNIDO substantive officers to prepare the TOR, should not be excluded from the bidding procedure.

(b) Projects US/GLO/89/163 and US/GLO/90/292 - Feasibility Study on Modernization of ELPESA Plant

171. In addition to the comments we made in paras , above, we noted that a question was raised on the technical justification submitted for this particular case. There were, reportedly, four or five major companies with the required know-how, including Asahi, Japan, and unless the selected contractor had access to the advantages and disadvantages of the membrane technologies available, the feasibility study might not be successful. It was pointed out by that many engineering/consulting companies have access to technology through license agreements. The Contracts Section should ascertain if these two companies are licensed to use the required technology of Asahi.

172. We took note of the information given that the fact that Asahi had declined to offer could be explained by past experience that if a company has the necessary know-how, it will abstain from quoting for a small job since this would exclude it from quoting for the larger job.

(c) Project SF/IRA/90/901 - Detailed Study for the Establishment of the Shaddid Modarres Industrial Pharmaceutical Complex - $248,885

173. We noted that this case led to a thorough examination by the Committee on Contracts during several meetings. Quite a number of substantial points were raised.

174. In May 1990 a Protocol had been signed by the Director-General and the Minister of Industry. It stated the intent of the Government authorities to deposit an amount of $300,000 for an in depth study on the technological aspects which will include know-how, patents and the related choice of equipment and engineering to assure the most technically and economically viable project. The amount of $300,000 included not only the contract in question but also overheads and travel.

175. The trust fund agreement was concluded between UNIDO and Shadid Modarres Pharmaceutical Industries Co. (not the Government) in January 1991. The approximate amount required for realizing the pharmaceutical plant had been estimated at $110 million. It would be the largest project ever assigned to UNIDO.

176. Twenty-two companies from twelve companies had been invited to submit preliminary proposals for the study; four offers were received, ranging between US$407,500 and US$620,000. The four bidders were subsequently invited to submit final proposals. One company replied negatively on the grounds that the funds were insufficient. Three offers were received, ranging between US$249,000 and US$260,000. The highest offer was found technically unacceptable because it was inferior with respect to technological, engineering and market aspects.

177. Award of contract to Dr. Noe was proposed with that company subcontracting some specific technologies and engineering aspects to Ficetec. The proposed subcontract arrangement with Ficetec was due to the fact that Dr. Noe did not possess the required knowledge for all the (50) pharmaceutical products involved.

178. The Committee pointed out that, in accordance with the stipulations of Financial Rule 109.21(b), the lowest technically acceptable offer was to be retained; the lowest offer of Ficetec was technically acceptable and the award should therefore be made to that company. It had been agreed by the parties concerned, however, that it was preferable to retain the services of a neutral company, such as Dr. Noe, to carry out this study objectively, which was not felt to be the case with Ficetec. The Committee, while pointing out that this procedure was contrary to the Financial Rules, was further informed that the need to select a "neutral" company not connected to a large chemical company had not been indicated when proposals had been requested. In its opinion, if this neutrality was now considered to be a very important selection factor, there should have been a "diplomatic" reference to this point in the invitation for proposals, both at the preliminary and final stages. The Committee was furthermore explained that the question of neutrality had been raised during discussions with the Government counterpart in May 1991. Due to its affiliation with Montedison, Ficetec could not be considered to be a neutral company and it would be difficult for Ficetec to approach transnational companies for information (licensing agreements, patent rights, etc.) on the technologies required by the study in connection with the fifty pharmaceutical products involved. In addition, Montedison/Ficetec was considered to be interested as a potential competitor for the large project, in which Dr. Noe had no interest. Concerning the proposal to award the contract to Dr. Noe who would subcontract Ficetec for those areas for which it had the know-how rather than Dr. Noe, the Committee pointed out that it would be necessary to know what the contents of the subcontract would be. It is also a stipulation in the standard contract that no subcontracts may be concluded without UNIDO's prior approval.

179. The Committee asked whether, since there are five or six pharmaceutical companies with the required know-how, Dr. Noe would also contact them for their specific technologies and on what basis, also under subcontract or free of charge. According to the substantive office Dr. Noe would have to investigate this with producers of pharmaceuticals and intermediates.

180. The Committee, on its question why Ficetec had been included in the final invitee list, was explained that, if not, UNIDO would have had only one offer.

181. The invitee list of the preliminary bidding exercise was then examined by the Committee. The list had been compiled by the substantive officer with Contracts Section adding companies from its roster. Doubts were expressed concerning the companies added from this roster, including the invitation of major transnational producing companies, which appeared to contradict the argument being advanced that such companies should not be considered on the grounds of lack of neutrality.

182. In conclusion, the Committee expressed the opinion that the statements, both written and oral, of the substantive office in connection with the technical acceptability of Ficetec were contradictory. The substantive office was requested to further explain, in writing, the requirement of neutrality including the relevance of this factor for the technical evaluation of the offer from Ficetec.

183. As a result of further negotiations:

(a) Dr. Noe agreed to reduce the contract price by $11,000, confirming that the best technologies available would be considered and mentioning that Ficetec is considered as a sub-contractor;

(b) Ficetec notified that a price reduction was not acceptable.

184. The Committee was furthermore informed that the terms of reference had remained unchanged for the second bidding exercise. It pointed out that it was difficult to understand that the companies in the second round of bidding had almost halved the cost of their offers while accepting to carry out the work outlined in unchanged terms of reference. Therefore, although it was not the normal practice of the Committee on Contracts, on this occasion the terms of reference were reviewed. The substantive officer was requested to clarify the points raised by the Committee, particularly with regard to the terms of reference and the relevance of the outcome of the study concerned to the future major project. The meaning of the title "detailed study" was outlined and the aspects and specifications of the terms of reference were described.

185. In answer to the Committee's query as to whether the Feasibility Studies Branch had been involved in the compilation of the terms of reference, the substantive office informed that discussions had taken place with an officer of that Branch but the terms of reference had been prepared in conjunction with the counterpart authorities.

186. The Committee pointed out that the outcome of the present study could only be considered as an "opportunity" study but would provide insufficient information to present a bankable

investment project and further feasibility studies based on offers from licensers and equipment suppliers would have to be prepared. It wondered whether this had been made clear to the counterpart in order to avoid any misunderstandings on the part of the counterpart and to protect UNIDO's interests. It reiterated its doubts that this study would produce a realistic and feasible outcome on which a loan for the necessary funds could be based.

187. The Committee further pointed out that it was acknowledged that this study would result in the largest project ever assigned to UNIDO. Noting the implications this would have, for example for UNIDO's budget and also for the staffing in those services that will be affected by this task, it was of the opinion that every effort should be made to ensure that the right questions were asked at the outset regarding not only the technical aspect but also the financial and budgetary implications.

188. The Committee queried the fact that the preliminary offer of Dr. Noe had stated 12 months for completion of the study, which was reduced to 6 months in its final offer. The Contracts Section explained that it had been instructed by the substantive office to inform the final invitees of the 6 month time limit. In this regard, the substantive officer informed the Committee that the counterpart had specified 6 months; however, there was an element of flexibility in order not to sacrifice the quality of the study to be performed. The Committee commented that since the six months for the studies had been laid down in the Protocol of 17 May 1990, the requirement should have been stated already in the invitation for preliminary proposals.

189. The Committee was informed that an appraisal had been done by the Project Appraisal Section. The Committee asked if the appraisal meetings had focused merely on the study or whether consideration had been given to the outcome of this study; was the Project Appraisal Section aware that UNIDO had already committed itself to implement projects amounting to $110 million? Since the volume and complexity of this project were unprecedented in UNIDO, the Committee asked if no discussions had been held as to whether UNIDO had the capacity and know-how to undertake this project or the possibility of introducing two or three steps of further studies to facilitate implementation of the project?

190. The substantive officer stated that that Section had been informed thereof during discussions with the representative of the Special Trust Fund Projects Section.

191. The member of the Project Appraisal Section who had undertaken the appraisal of the project in July 1990, confirmed that the project document had been relatively well drafted and that several points had been discussed. This was recorded in the minutes of the discussion which, however, were not circulated outside the Appraisal Section. It was further explained that normally the recommendations are made verbally to the participants and when the amended version is received, in a subsequent meeting it is checked to see whether the recommendations had been followed. In this case they were not followed. In the first draft, mention was made of a second phase but it was not specified what that would be. When asked if it was known that the second phase would involve $110 million, he informed the Committee that he had asked that this be clarified; however, only one meeting had been held, thus there was no follow-up.

192. When asked whether, if it had been known that based on the outcome of this study UNIDO had a commitment to execute a project of $110 million, the matter would have been looked into to see whether the capacity of the Secretariat (DIO/DPPD/DA) was sufficient, the appraisal officer informed the Committee that it had been mentioned that UNIDO's responsibility would be very high and would require intensive backstopping.

193. The Project Appraisal Section outlined its procedures and explained that its role was limited to being purely advisory and while its recommendations were brought to the attention of the backstopping office, the final decision lay with the approving authority, in this case the Director-General.

194. It was pointed out that the memorandum from the Special Trust Fund Projects Section requesting the appraisal was dated 6 July 1990; normally when the project document is sent for appraisal, the trust fund agreement is attached but on this occasion it was not.

195. The Committee asked if there would be any point, at this stage, in requesting a re-appraisal prior to recommending approval of negotiation with Dr. Noe. The Chief of the Project Appraisal Section stated that he had not been aware of the $110 million project and re-appraisal would be possible.

196. The Committee decided to recommend that the DDG/DA, in consultation with the Departments concerned should review the capacity of the Secretariat to implement the further phases of this project as foreseen in the Protocol of 17 May 1990, taking into account also the observations and recommendations of the study.

197. The Committee being informed that the proposed subcontractors would be included in the contract to be concluded with Dr. Noe, agreed to recommend approval of award of contract in the amount of $248,885, under Financial Rule 109.21(b), lowest technically acceptable offer.

198. We endorsed the comments and observations made by the Committee showing several weaknesses and shortcomings in the way the contract for a study - which should lead to a project which in terms of volume and complexity as well as amounts involved, is unprecedented in UNIDO - has been prepared, handled and presented by various Branches/Sections of the Secretariat.

II. CERTIFICATE OF THE EXTERNAL AUDITOR ON THE ACCOUNTS OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION AND OF THE INDUSTRIAL DEVELOPMENT FUND FOR THE FINANCIAL PERIOD 1990-1991 ENDED 31 DECEMBER 1991

To the President of the
Industrial Development Board

I have examined the following appended statements, numbered I to VII, properly identified, and relevant schedules of the United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 1990-1991 ended 31 December 1991, in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency.

My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances. I have obtained all the information and explanations that I have required for the purpose of the audit and, as a result of my examination, I certify that, in my opinion:

a) The financial statements have been prepared in accordance with the stated accounting policies and procedures, which were applied on a basis consistent with that of the preceding financial period;

b) The financial transactions reflected in the statements have been in accordance with the applicable Financial Regulations and legislative authority;

c) The financial statements reflect properly the recorded financial transactions for the biennium ended 31 December 1991 and present fairly the Organization's financial position as at 31 December 1991.

Jeroom L.E. VAN de VELDE
Senior President of the Court of Audit,
Belgium

External Auditor

Brussels, 15 May 1992

III. FINANCIAL STATEMENTS FOR THE 24-MONTH PERIOD OF THE BIENNIUM 1990-1991 ENDED 31 DECEMBER 1991

CERTIFICATION OF FINANCIAL STATEMENTS

The appended statements, numbered I to VII, and relevant schedules, are approved.

Werner Behrens
Director
Financial Services
Division

Domingo L. Siazon, Jr.
Director-General

Statement I

GENERAL FUND

Status of appropriations for the biennium 1990-1991 as at 31 December 1991

(In United States dollars)

Programme	Original appropriation 1990-1991 (note 2 (a))* US$	AS	US$ equivalent at rate US$1 = 11.54	Supplementary appropriation	Transfers	Revised appropriation	Disbursements as at 31/12/91	Unliquidated obligations as at 31/12/91	Total expenditure	Balance of appropriation
Policy-making Organs	635,000	27,765,200	3,040,997		(108,900)	2,932,097	2,172,514	117,234	2,289,748	642,349
Executive Direction and Management	777,100	63,951,200	6,318,798	31,900	(76,500)	6,274,198	5,293,097	52,225	5,345,322	928,876
Programme and Project Development	4,677,700	327,848,300	33,087,431	168,000	(1,109,100)	32,146,331	30,354,238	1,193,500	31,547,738	598,593
Industrial Promotion, Consultations and Technology	2,550,800	172,570,900	17,504,951	84,900	(462,000)	17,127,851	14,948,822	1,279,695	16,228,517	899,334
Industrial Operations	6,044,800	450,710,200	45,101,143	195,400	(341,000)	44,955,543	40,510,942	3,071,372	43,582,314	1,373,229
External Relations, Public Information, Language and Documentation Services	3,475,200	254,631,970	25,540,362	141,400	(972,900)	24,708,862	23,553,744	306,564	23,860,308	848,554
Administration	6,565,600	711,765,800	68,243,746	178,400	3,070,400	71,492,546	67,167,444	3,822,565	70,990,009	502,537
Total A	24,726,200	2,009,243,570	198,837,428	800,000	-	199,637,428	184,000,801	9,843,155	193,843,956	5,793,472

Income			Approved estimates 1990-1991				Actual income	Obligations as at 31/12/91	Actual income	Excess/ shortfall
Other	1,113,000	290,817,800	26,313,849				22,550,691		22,550,691	(3,763,158)
Sales publications	106,400		106,400				131,794		131,794	25,394
Total B	1,219,400	290,817,800	26,420,249			26,420,249	22,682,485		22,682,485	(3,737,764)
Total A-B	23,506,800	1,718,425,770	172,417,179	800,000		173,217,179,	161,318,316	9,843,155	171,161,471	2,055,708

* Refers to note contained in annex I to the present document.

Schedule 1.1

GENERAL FUND

Schedule of income for the biennium 1990-1991
as at 31 December 1991

	Approved estimates for the biennium 1990-1991			
	US$	AS	US$ equivalent at rate US$1 = AS 11.54	Actual income for the biennium 1990-1991 (US$)
General income				
Bank interest				1,424,631
Reimbursement for services rendered to specialized agencies and others				731,300
Refund of expenditure, prior biennium				651,210
Sale of used equipment				8,600
Miscellaneous				112,336
Gain (loss) on exchange				583,065
Subtotal				3,511,142
Income from VIC cost-sharing activities				19,039,549
Subtotal	1,113,000	290,817,800	26,313,849	22,550,691
Revenue producing activities	106,400		106,400	131,794
GRAND TOTAL	1,219,400	290,817,800	26,420,249	22,682,485

Schedule 1.2

GENERAL FUND

Major objects of expenditure by programme for
the biennium 1990-1991 as at 31 December 1991

(In United States dollars)

	Salaries, other personnel costs	Travel	Contractual services	Operating expenses	Acquisitions	New premises, fellowship grants, other	Total
Policy-making Organs	425,340	-	304,921	62,634	1,040	1,495,813	2,289,748
Executive Direction and Management	4,949,688	319,327	527	21,795	-	53,985	5,345,322
Programme and Project Development	29,863,652	1,325,450	-	118,327	8,004	232,305	31,547,738
Industrial Promotion, Consultations and Technology	14,980,903	623,243	76,195	33,223	-	514,953	16,228,517
Industrial Operations	32,015,215	981,423	-	31,004	-	10,554,672	43,582,314
External Relations, Public Information, Language and Documentation	22,240,291	206,197	323,985	599,592	52,921	437,322	23,860,308
Administration	32,884,628	81,307	-	28,178,517	1,035,198	8,810,359	70,990,009
Subtotal	137,359,717	3,536,947	705,628	29,045,092	1,097,163	22,099,409	193,843,956
Staff assessment	33,388,768						33,388,768
Total	170,748,485	3,536,947	705,628	29,045,092	1,097,163	22,099,409	227,232,724

Statement II A

Statement of income and expenditure for the biennium 1990-1991

(In United States dollars)

	1990-1991	1989-1989
Assessment of Member States, 1990-1991 (note 2 (a))*	172,417,179	147,963,400
Add: Increase/decrease in value of assessment due to exchange fluctuations (note 2 (c))	(292,998)	790,705
Add: Unutilized balance of 1986-1987 appropriations transferred to income (GC.4/Dec.15)	4,377,386	--
Income from Member States, 1990-1991	176,501,567	148,754,105
Other income	22,682,485	26,110,707
Total income	199,184,052	174,864,812
Deduct: Expenditure	193,843,956	173,342,815
Provisional excess of income over expenditure (note 2 (d))	5,340,096	1,521,997
Represented by		
Receipts from Member States, 1990-1991	143,460,648	117,595,729
Unutilised balance of appropriations, 1986-1987	4,377,386	--
Other income	22,682,485	26,110,707
Subtotal	170,520,519	143,706,436
Disbursements	184,000,801	156,345,758
Excess (shortfall) of receipts over disbursements	(13,480,282)	(12,639,322)
Unliquidated obligations, 1990-1991	9,843,155	16,997,057
Subtotal	(23,323,437)	(29,636,379)
Contributions due from Member States (schedule 3.1)	28,663,533	31,158,376
	5,340,096	1,521,997

* References are to notes contained in annex I to the present document.

Statement II B

Statement of surpluses due to Member States as at 31 December, 1991 (note 2 (e))*

(In United States dollars)

	1991	1989
1990-1991		
Provisional excess of income over expenditure (Statement II A)	5,340,096	
Less: Assessed contributions unpaid (Schedule 3.1)	28,663,533	
Provisional deficit	(23,323,437)	
1988-1989		
Provisional excess of income over expenditure as at 31 December 1989	1,521,997	1,521,997
Plus: Savings on liquidation of obligations in 1990	1,876,917	
	3,398,914	
Plus: Increase in value AS contributions (note 2 (f))	3,097,278	
Final excess of income over expenditure (retained - GC.4/Dec.15)	6,496,192	
Less: Assessed contributions unpaid (Schedule 3.1)	1,670,239	31,158,376
Provisional surplus	4,825,953	(29,636,379)
1986-1987		
Final excess of income over expenditure	4,377,386	4,377,386
Less: Assessed contributions unpaid	--	806,893
Less: Transfer to income, 1990-1991 (GC.4/Dec.15)	4,377,386	--
Provisional surpluses	--	3,570,493
Contributions from new Member States (Schedule 3.1)		
1990-1991	69,910	--
1988-1989	75,996	74,721
1986-1987	196,863	196,863
	342,769	271,584
Less: Contributions unpaid	137,985	142,733
Contributions received	204,784	128,851

* References are to notes contained in annex I to the present document.

Statement III

Statement of assets, liabilities and surpluses as at 31 December 1991

(In United States dollars)

		1991	1989
Assets			
Cash at banks (Schedule 3.2)		8,923,838	3,175,167
Accounts receivable (note 2 (g))		8,515,974	11,038,250
Deferred charges (note 2 (h))		26,741,272	2,210,531
Assessed contributions receivable (Schedule 3.1)			
Biennium 1990–1991	28,663,533		—
Biennium 1988–1989	1,670,239		31,158,376
Biennium 1986–1987	111,961	30,445,733	806,893
New Member States contributions receivable (Schedule 3.1)			
1990–1991	35,388		—
1988–1989	33,892		45,276
1986–1987	68,705	137,985	97,457
Total assets		74,764,802	48,531,950
Liabilities			
Unliquidated obligations (Statement I)		9,843,155	16,997,057
Accounts payable and reserves (note 2 (i))		3,673,560	4,104,844
Due to other funds (note 2 (j))		855,870	356,647
Commitments (note 2 (k))		26,023,160	1,402,435
Advance from Working Capital Fund (Statement IV)		8,190,000	3,500,000
Loan from United Nations		14,000,000	16,000,000
Total liabilities		62,585,745	42,360,983
Surpluses due to Member States (note 2 (e))			
1990–1991			
Arrears of contributions receivable	28,663,533		—
Provisional deficit (Statement IIB)	(23,323,437)	5,340,096	—
1988–1989			
Arrears of contributions receivable	1,670,239		
Provisional surplus (deficit) (Statement IIB)	4,825,953	6,496,192	1,521,997
1986–1987			
Arrears of contributions receivable	—		
Provisional surplus (Statement IIB)	—	—	4,377,386
Contributions from new Member States			
Arrears of contributions receivable	137,985		
Contributions received (Statement IIB)	204,784	342,769	271,584
Total liabilities and surpluses		74,764,802	48,531,950

* References are to notes contained in annex I to the present document.

Schedule 3.1

STATUS OF ASSESSED CONTRIBUTIONS TO THE REGULAR BUDGET

(As at 31 December 1991)

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1991				Credits and Collections in 1991				Contributions Outstanding as at 31 December 1991					
		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium		(RoE 11.20)	TOTAL
		Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	$ Equiv.	$ Equiv.
AFGHANISTAN	0.01	0	0	1,175	85,921	0	0	1,175	85,921	0	0	0	0	0	0
ALBANIA	0.01	0	0	1,250	91,416	0	0	1,102	80,560	0	0	148	10,856	969	1,117
ALGERIA	0.15	19,191	0	35,260	2,577,638	19,191	0	32,093	2,345,150	0	0	3,167	231,488	20,669	23,836
ANGOLA	0.01	14,676	0	2,350	171,842	3,144	0	0	0	11,532	0	2,350	171,842	15,344	29,226
ARGENTINA	0.67	684,471	0	157,496	11,513,452	0	0	0	0	684,471	0	157,496	11,513,452	1,027,986	1,869,953
AUSTRIA	0.75	0	0	88,150	6,444,097	0	0	88,150	6,444,097	0	0	0	0	0	0
BAHAMAS	0.02	0	0	4,702	343,686	0	0	913	66,767	0	0	3,789	276,919	24,725	28,514
BAHRAIN	0.02	0	0	2,351	171,843	0	0	2,351	171,843	0	0	0	0	0	0
BANGLADESH	0.01	1,998	0	2,350	171,842	0	0	0	0	1,998	0	2,350	171,842	15,344	19,692
BARBADOS	0.01	0	0	1,334	97,572	0	0	1,107	80,986	0	0	227	16,586	1,481	1,708
BELARUS	0.34	0	0	39,962	2,921,324	0	0	20,013	1,463,011	0	0	19,949	1,458,313	130,207	150,156
BELGIUM	1.19	0	0	139,865	10,224,633	0	0	139,865	10,224,633	0	0	0	0	0	0
BELIZE	0.01	0	0	1,175	85,921	0	0	0	0	0	0	1,175	85,921	7,672	8,847
BENIN	0.01	13,650	0	2,350	171,842	13,650	0	2,350	171,842	0	0	0	0	0	0
BHUTAN	0.01	0	0	1,175	85,921	0	0	0	0	0	0	1,175	85,921	7,672	8,847
BOLIVIA	0.01	13,754	0	2,350	171,842	13,754	0	2,043	149,366	0	0	307	22,476	2,007	2,314
BOTSWANA	0.01	9,676	0	2,350	171,842	3,247	0	0	0	6,429	0	2,350	171,842	15,344	24,123
BRAZIL	1.47	1,067,381	0	345,550	25,260,858	1,067,381	0	14,767	1,078,752	0	0	330,783	24,182,106	2,159,117	2,489,910
BULGARIA	0.15	0	0	17,630	1,288,819	0	0	17,630	1,288,819	0	0	0	0	0	0
BURKINA FASO	0.01	21,801	0	2,350	171,842	0	0	0	0	21,801	0	2,350	171,842	15,344	39,495
BURUNDI	0.01	2,004	0	2,350	171,842	2,004	0	1,184	86,551	0	0	1,166	85,291	7,615	8,781
CAMEROON	0.01	10,818	0	2,350	171,842	10,818	0	2,323	169,894	0	0	27	1,948	174	201
CANADA	3.13	0	0	367,881	26,893,363	0	0	367,645	26,876,146	0	0	236	17,217	1,537	1,773
CAPE VERDE	0.01	26,940	0	2,350	171,842	18,360	0	0	0	8,580	0	2,350	171,842	15,344	26,274

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1991				Credits and Collections in 1991				Contributions Outstanding as at 31 December 1991					TOTAL
		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium		(RoE 11.20)	
		Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	$ Equiv.	$ Equiv.
CENTRAL AFRICAN REPUBLIC	0.01	7,200	0	2,350	171,842	0	0	0	0	7,200	0	2,350	171,842	15,344	24,894
CHILE	0.08	95,831	0	18,806	1,374,740	42,100	0	0	0	53,731	0	18,806	1,374,740	122,744	195,281
CHINA	0.80	0	0	94,027	6,873,703	0	0	94,027	6,873,703	0	0	0	0	0	0
COLOMBIA	0.14	0	0	17,292	1,264,049	0	0	17,292	1,264,049	0	0	0	0	0	0
COMOROS	0.01	15,360	0	2,350	171,842	0	0	0	0	15,360	0	2,350	171,842	15,344	33,054
CONGO	0.01	26,940	0	2,350	171,842	25,059	0	0	0	1,881	0	2,350	171,842	15,344	19,575
COSTA RICA	0.02	0	0	4,702	343,686	0	0	0	0	0	0	4,702	343,686	30,686	35,388
COTE D'IVOIRE	0.02	22,923	0	4,702	343,686	22,923	0	2,008	146,806	0	0	2,694	196,881	17,579	20,273
CUBA	0.09	0	0	20,168	1,474,348	0	0	1,133	82,814	0	0	19,035	1,391,534	124,244	143,279
CYPRUS	0.02	0	0	2,351	171,843	0	0	2,351	171,843	0	0	0	0	0	0
CZECHOSLOVAKIA	0.67	0	0	78,748	5,756,726	0	0	78,748	5,756,726	0	0	0	0	0	0
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	0.05	59,255	0	11,754	859,212	36,100	0	0	0	23,155	0	11,754	859,212	76,716	111,625
DENMARK	0.70	0	0	82,274	6,014,490	0	0	82,274	6,014,490	0	0	0	0	0	0
DOMINICA	0.01	0	0	1,175	85,921	0	0	33	2,421	0	0	1,142	83,500	7,455	8,597
DOMINICAN REPUBLIC	0.03	80,818	0	7,052	515,528	0	0	0	0	80,818	0	7,052	515,528	46,030	133,900
ECUADOR	0.03	49,844	0	7,052	515,528	38,004	0	0	0	11,840	0	7,052	515,528	46,030	64,922
EGYPT	0.07	0	0	8,227	601,449	0	0	8,227	601,449	0	0	0	0	0	0
EL SALVADOR	0.01	0	0	2,350	171,842	0	0	0	0	0	0	2,350	171,842	15,344	17,694
EQUATORIAL GUINEA	0.01	15,360	0	2,350	171,842	0	0	0	0	15,360	0	2,350	171,842	15,344	33,054
ETHIOPIA	0.01	0	0	2,172	158,839	0	0	0	0	0	0	2,172	158,839	14,183	16,355
FIJI	0.01	13,972	0	2,350	171,842	4,168	0	0	0	9,804	0	2,350	171,842	15,344	27,498
FINLAND	0.52	0	0	61,118	4,467,907	0	0	61,118	4,467,907	0	0	0	0	0	

Schedule 3.1 (continued)

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1991 — Prior Bienniums — Dollar	Schilling	Current Biennium — Dollar	Schilling	Credits and Collections in 1991 — Prior Bienniums — Dollar	Schilling	Current Biennium — Dollar	Schilling	Contributions Outstanding as at 31 December 1991 — Prior Bienniums — Dollar	Schilling	Current Biennium — Dollar	Schilling	(RoE 11.20) $ Equiv.	TOTAL $ Equiv.
FRANCE	6.33	0	0	743,990	54,388,176	0	0	743,990	54,388,176	0	0	0	0	0	0
GABON	0.03	34,262	0	7,052	515,528	0	0	0	0	34,262	0	7,052	515,528	46,030	87,344
GAMBIA	0.01	15,360	0	2,350	171,842	0	0	0	0	15,360	0	2,350	171,842	15,344	33,054
GERMANY	9.48	0	0	1,114,222	81,453,381	0	0	1,114,222	81,453,381	0	0	0	0	0	0
GHANA	0.01	0	0	1,175	85,921	0	0	0	0	0	0	1,175	85,921	7,672	8,847
GREECE	0.41	0	0	58,278	4,260,294	0	0	40,508	2,961,236	0	0	17,770	1,299,058	115,987	133,757
GRENADA	0.01	15,360	0	2,350	171,842	0	0	0	0	15,360	0	2,350	171,842	15,344	33,054
GUATEMALA	0.02	41,793	0	4,702	343,686	23,561	0	0	0	18,232	0	4,702	343,686	30,686	53,620
GUINEA	0.01	13,754	0	2,350	171,842	6,076	0	0	0	7,678	0	2,350	171,842	15,344	25,372
GUINEA-BISSAU	0.01	11,938	0	2,350	171,842	0	0	0	0	11,938	0	2,350	171,842	15,344	29,632
GUYANA	0.01	15,553	0	2,350	171,842	0	0	0	0	15,553	0	2,350	171,842	15,344	33,247
HAITI	0.01	22,205	0	2,350	171,842	0	0	0	0	22,205	0	2,350	171,842	15,344	39,899
HONDURAS	0.01	15,840	0	2,350	171,842	0	0	0	0	15,840	0	2,350	171,842	15,344	33,534
HUNGARY	0.21	0	0	24,682	1,804,347	0	0	24,682	1,804,347	0	0	0	0	0	0
INDIA	0.38	0	0	89,326	6,530,018	0	0	44,588	3,259,503	0	0	44,738	3,270,515	292,011	336,749
INDONESIA	0.15	0	0	17,630	1,288,819	0	0	16,254	1,188,213	0	0	1,376	100,606	8,983	10,359
IRAN (ISLAMIC REPUBLIC OF)	0.70	492,870	0	164,548	12,028,980	492,870	0	72,548	5,303,512	0	0	92,000	6,725,468	600,488	692,488
IRAQ	0.12	0	0	14,121	1,032,309	0	0	0	0	0	0	14,121	1,032,309	92,170	106,291
IRELAND	0.18	0	0	21,156	1,546,583	0	0	21,156	1,546,583	0	0	0	0	0	0
ISRAEL	0.21	0	0	49,364	3,608,694	0	0	31,702	2,317,507	0	0	17,662	1,291,187	115,285	132,947
ITALY	4.04	0	0	474,837	34,712,201	0	0	468,259	34,231,310	0	0	6,578	480,891	42,937	49,515
JAMAICA	0.01	8,541	0	2,350	171,842	8,541	0	327	23,877	0	0	2,023	147,965	13,212	15,235
JAPAN	11.52	0	0	1,353,992	98,981,324	0	0	1,353,992	98,981,324	0	0	0	0	0	0

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1991				Credits and Collections in 1991				Contributions Outstanding as at 31 December 1991					TOTAL
		Prior Bienniums		Current Biennium		Prior Bienniums		Current Biennium		Prior Bienniums		Current Biennium		(RoE 11.20)	
		Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	$ Equiv.	$ Equiv.
JORDAN	0.01	6,257	0	2,350	171,842	0	0	0	0	6,257	0	2,350	171,842	15,344	23,951
KENYA	0.01	10,593	0	2,350	171,842	10,593	0	739	54,074	0	0	1,611	117,768	10,515	12,126
KUWAIT	0.29	429,145	0	68,170	4,983,434	429,145	0	68,165	4,983,047	0	0	5	387	35	40
LAO PEOPLE'S DEMOCRATIC REPUBLIC	0.01	0	0	1,175	85,921	0	0	0	0	0	0	1,175	85,921	7,672	8,847
LEBANON	0.01	26,940	0	2,350	171,842	19,261	0	0	0	7,679	0	2,350	171,842	15,344	25,373
LESOTHO	0.01	0	0	1,175	85,921	0	0	0	0	0	0	1,175	85,921	7,672	8,847
LIBYAN ARAB JAMAHIRIYA	0.28	204,810	0	65,820	4,811,592	204,810	0	9,148	668,731	0	0	56,672	4,142,861	369,898	426,570
LUXEMBOURG	0.06	0	0	7,052	515,528	0	0	7,052	515,528	0	0	0	0	0	0
MADAGASCAR	0.01	2,678	0	2,350	171,842	2,678	0	885	64,687	0	0	1,465	107,155	9,568	11,033
MALAWI	0.01	0	0	2,098	153,445	0	0	2,093	153,061	0	0	5	384	34	39
MALAYSIA	0.11	0	0	12,929	945,134	0	0	12,929	945,134	0	0	0	0	0	0
MALDIVES	0.01	0	0	2,350	171,842	0	0	2,350	171,842	0	0	0	0	0	0
MALI	0.01	26,940	0	2,350	171,842	0	0	0	0	26,940	0	2,350	171,842	15,344	44,634
MALTA	0.01	0	0	1,175	85,921	0	0	1,175	85,921	0	0	0	0	0	0
MAURITANIA	0.01	26,940	0	2,350	171,842	17,498	0	0	0	9,442	0	2,350	171,842	15,344	27,136
MAURITIUS	0.01	0	0	1,175	85,921	0	0	1,175	85,921	0	0	0	0	0	0
MEXICO	0.95	0	0	123,709	9,043,532	0	0	123,709	9,043,532	0	0	0	0	0	0
MONGOLIA	0.01	0	0	1,175	85,921	0	0	0	0	0	0	1,175	85,921	7,672	8,847
MOROCCO	0.04	0	0	4,701	343,685	0	0	4,701	343,685	0	0	0	0	0	0
MOZAMBIQUE	0.01	18,724	0	2,350	171,842	18,724	0	2,350	171,842	0	0	0	0	0	0
NEPAL	0.01	7,190	0	2,350	171,842	0	0	0	0	7,190	0	2,350	171,842	15,344	24,884
NETHERLANDS	1.87	0	0	196,282	14,348,855	0	0	196,282	14,348,855	0	0	0	0	0	0

Schedule 3.1 (continued)

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1991				Credits and Collections in 1991				Contributions Outstanding as at 31 December 1991					
		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium		(RoE: 11.20)	TOTAL
		Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	$ Equiv.	$ Equiv.
NEW ZEALAND	0.24	0	0	28,208	2,062,111	0	0	28,208	2,062,111	0	0	0	0	0	0
NICARAGUA	0.01	26,940	0	2,350	171,842	0	0	0	0	26,940	0	2,350	171,842	15,344	44,634
NIGER	0.01	15,360	0	2,350	171,842	0	0	0	0	15,360	0	2,350	171,842	15,344	33,064
NIGERIA	0.20	0	0	26,376	1,928,142	0	0	26,376	1,928,142	0	0	0	0	0	0
NORWAY	0.56	0	0	65,819	4,811,592	0	0	65,819	4,811,592	0	0	0	0	0	0
OMAN	0.02	0	0	2,351	171,843	0	0	2,351	171,843	0	0	0	0	0	0
PAKISTAN	0.06	25,511	0	14,104	1,031,056	25,511	0	4,245	310,316	0	0	9,859	720,740	64,352	74,211
PANAMA	0.02	38,121	0	4,702	343,686	2,351	0	0	0	35,770	0	4,702	343,686	30,686	71,158
PAPUA NEW GUINEA	0.01	15,360	0	2,350	171,842	15,360	0	2,165	158,327	0	0	185	13,515	1,207	1,392
PARAGUAY	0.03	27,487	0	7,052	515,528	0	0	0	0	27,487	0	7,052	515,528	46,030	80,569
PERU	0.06	154,531	0	14,104	1,031,056	101,382	0	0	0	53,149	0	14,104	1,031,056	92,058	159,311
PHILIPPINES	0.09	0	0	20,563	1,503,210	0	0	2,825	206,510	0	0	17,738	1,296,700	115,777	133,515
POLAND	0.57	0	0	66,994	4,897,513	0	0	66,994	4,897,513	0	0	0	0	0	0
PORTUGAL	0.18	0	0	21,156	1,546,583	0	0	21,156	1,546,583	0	0	0	0	0	0
QATAR	0.05	15,358	0	11,754	859,212	15,358	0	1,811	132,411	0	0	9,943	726,801	64,893	74,836
REPUBLIC OF KOREA	0.22	0	0	25,857	1,890,268	0	0	25,857	1,890,268	0	0	0	0	0	0
ROMANIA	0.19	291,822	0	44,662	3,265,008	174,171	0	0	0	117,651	0	44,662	3,265,008	291,518	453,831
RUSSIAN FEDERATION	10.12	0	0	1,189,444	86,952,344	0	0	595,448	43,529,204	0	0	593,996	43,423,140	3,877,066	4,471,062
RWANDA	0.01	9,735	0	2,350	171,842	9,735	0	1,211	88,542	0	0	1,139	83,300	7,438	8,577
SAINT KITTS AND NEVIS	0.01	26,940	0	2,350	171,842	0	0	0	0	26,940	0	2,350	171,842	15,344	44,634
SAINT LUCIA	0.01	0	0	1,175	85,921	0	0	1,175	85,921	0	0	0	0	0	0

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1991 — Prior Biennium Dollar	Prior Biennium Schilling	Current Biennium Dollar	Current Biennium Schilling	Credits and Collections in 1991 — Prior Biennium Dollar	Prior Biennium Schilling	Current Biennium Dollar	Current Biennium Schilling	Contributions Outstanding as at 31 December 1991 — Prior Biennium Dollar	Prior Biennium Schilling	Current Biennium Dollar	Current Biennium Schilling	(RoE. 11.20) $ Equiv.	TOTAL $ Equiv.
SAINT VINCENT AND THE GRENADINES	0.01	6,728	0	2,350	171,842	0	0	0	0	6,728	0	2,350	171,842	15,344	24,422
SAO TOME AND PRINCIPE	0.01	15,390	0	2,350	171,842	0	0	0	0	15,390	0	2,350	171,842	15,344	33,054
SAUDI ARABIA	1.03	0	0	121,084	8,851,615	0	0	121,084	8,851,615	0	0	0	0	0	0
SENEGAL	0.01	0	0	1,523	111,434	0	0	43	3,568	0	0	1,474	107,778	9,624	11,098
SEYCHELLES	0.01	10,641	0	2,350	171,842	0	0	0	0	10,641	0	2,350	171,842	15,344	28,335
SIERRA LEONE	0.01	26,940	0	2,350	171,842	0	0	0	0	26,940	0	2,350	171,842	15,344	44,634
SOMALIA	0.01	26,940	0	2,350	171,842	0	0	0	0	26,940	0	2,350	171,842	15,344	44,634
SPAIN	1.98	0	0	232,717	17,012,415	0	0	232,717	17,012,415	0	0	0	0	0	0
SRI LANKA	0.01	715	0	2,350	171,842	0	0	0	0	715	0	2,350	171,842	15,344	18,409
SUDAN	0.01	7,100	0	2,350	171,842	0	0	0	0	7,100	0	2,350	171,842	15,344	24,794
SURINAME	0.01	15,390	0	2,350	171,842	0	0	0	0	15,390	0	2,350	171,842	15,344	33,054
SWAZILAND	0.01	503	0	2,350	171,842	503	0	2,350	171,842	0	0	0	0	0	0
SWEDEN	1.23	0	0	144,587	10,568,318	0	0	144,587	10,568,318	0	0	0	0	0	0
SWITZERLAND	1.09	0	0	128,112	9,365,420	0	0	128,112	9,365,420	0	0	0	0	0	0
SYRIAN ARAB REPUBLIC	0.04	33,878	0	9,402	687,370	33,878	0	9,402	687,370	0	0	0	0	0	0
THAILAND	0.10	0	0	11,763	859,213	0	0	11,763	859,213	0	0	0	0	0	0
TOGO	0.01	13,152	0	2,350	171,842	13,152	0	2,149	157,177	0	0	201	14,665	1,309	1,510
TONGA	0.01	1,754	0	2,350	171,842	1,754	0	435	31,828	0	0	1,915	140,014	12,502	14,417
TRINIDAD AND TOBAGO	0.05	33,430	0	11,754	859,212	33,430	0	8,940	653,518	0	0	2,814	205,694	18,366	21,180
TUNISIA	0.03	0	0	3,526	257,764	0	0	3,526	257,764	0	0	0	0	0	0
TURKEY	0.37	0	0	38,698	2,828,390	0	0	5,112	373,711	0	0	33,586	2,454,679	219,167	252,353

Schedule 3.1 (continued)

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1991				Credits and Collections to 1991				Contributions Outstanding as at 31 December 1991					
		Prior Bienniums		Current Biennium		Prior Bienniums		Current Biennium		Prior Bienniums		Current Biennium		(RoE: 11.20)	TOTAL
		Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	$ Equiv.	$ Equiv.
UGANDA	0.01	12,787	0	2,350	171,842	12,787	0	2,350	171,842	0	0	0	0	0	0
UKRAINE	1.27	0	0	149,268	10,912,004	0	0	74,745	5,464,055	0	0	74,523	5,447,949	486,424	560,947
UNITED ARAB EMIRATES	0.19	484,916	0	44,662	3,265,008	312,326	0	0	0	172,590	0	44,662	3,265,008	291,518	508,770
UNITED KINGDOM	4.92	0	0	578,267	42,273,274	0	0	578,267	42,273,274	0	0	0	0	0	0
UNITED REPUBLIC OF TANZANIA	0.01	0	0	2,316	169,381	0	0	971	71,042	0	0	1,345	98,339	8,781	10,126
UNITED STATES OF AMERICA	25.00	0	0	5,744,458	419,939,123	0	0	3,867,719	282,743,209	0	0	1,876,739	137,195,914	12,249,635	14,126,374
URUGUAY	0.04	157	0	9,402	687,370	157	0	4,679	342,077	0	0	4,723	345,293	30,830	35,553
VANUATU	0.01	9,696	0	2,350	171,842	9,696	0	345	25,258	0	0	2,005	146,584	13,088	15,093
VENEZUELA	0.58	0	0	84,091	6,147,300	0	0	84,091	6,147,300	0	0	0	0	0	0
VIET NAM	0.01	0	0	1,335	97,600	0	0	1,335	97,600	0	0	0	0	0	0
YEMEN	0.02	27,588	0	4,700	343,684	0	0	0	0	27,588	0	4,700	343,684	30,686	62,974
YUGOSLAVIA	0.47	0	0	109,566	8,009,647	0	0	4,169	304,801	0	0	105,397	7,704,846	687,933	793,330
ZAIRE	0.01	1,045	0	2,350	171,842	0	0	0	0	1,045	0	2,350	171,842	15,344	18,739
ZAMBIA	0.01	0	0	2,117	154,774	0	0	294	21,508	0	0	1,823	133,266	11,899	13,722
ZIMBABWE	0.02	19,102	0	4,702	343,686	19,102	0	4,702	343,686	0	0	0	0	0	0
Sub-total 1 Member States	86-	175,853	0	0	0	129,376	0	0	0	46,477	0	0	0	0	46,477
	87-	258,453	0	0	0	192,969	0	0	0	65,484	0	0	0	0	65,484
	88-	1,204,735	0	0	0	739,082	0	0	0	465,653	0	0	0	0	465,653
	89-	3,483,642	0	0	0	2,279,056	0	0	0	1,204,586	0	0	0	0	1,204,586
	90-	0	0	3,601,103	263,253,791	0	0	3,119,424	228,040,668	0	0	481,679	35,213,123	3,144,048	3,625,727
	91-	0	0	11,753,375	859,212,862	0	0	8,427,033	616,044,748	0	0	3,326,342	243,168,114	21,711,464	25,037,806
	T-	5,122,683	0	15,354,478	1,122,466,653	3,340,483	0	11,546,457	844,085,416	1,782,200	0	3,808,021	278,381,237	24,855,512	30,445,733

Member State	Scale of assessment (percentage)		Contributions Payable 1 January 1991				Credits and Collections in 1991				Contributions Outstanding as at 31 December 1991					
			Prior Biennium		Current Biennium		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium		(RoE. 11.20)	TOTAL
			Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	$ Equiv.	$ Equiv.
CHAD	0.01		0	0	1,175	85,921	0	0	0	0	0	0	1,175	85,921	7,672	8,847
COMOROS	0.01		11,580	0	0	0	0	0	0	0	11,580	0	0	0	0	11,580
COSTA RICA	0.02		26,324	0	0	0	7,792	0	0	0	18,532	0	0	0	0	18,532
DJIBOUTI	0.01		0	0	1,175	85,921	0	0	0	0	0	0	1,175	85,921	7,672	8,847
EL SALVADOR	0.01		15,360	0	0	0	0	0	0	0	15,360	0	0	0	0	15,360
EQUATORIAL GUINEA	0.01		11,580	0	0	0	0	0	0	0	11,580	0	0	0	0	11,580
GAMBIA	0.01		11,580	0	0	0	0	0	0	0	11,580	0	0	0	0	11,580
GRENADA	0.01		11,580	0	0	0	775	0	0	0	10,805	0	0	0	0	10,805
LIBERIA	0.01		0	0	2,350	171,842	0	0	0	0	0	0	2,350	171,842	15,344	17,694
MALDIVES	0.01		149	0	0	0	149	0	0	0	0	0	0	0	0	0
MYANMAR	0.01		0	0	2,350	171,842	0	0	2,350	171,842	0	0	0	0	0	0
NAMIBIA	0.01		0	0	2,350	171,842	0	0	2,350	171,842	0	0	0	0	0	0
PAPUA NEW GUINEA	0.01		11,580	0	0	0	11,580	0	0	0	0	0	0	0	0	0
SAO TOME AND PRINCIPE	0.01		11,580	0	0	0	0	0	0	0	11,580	0	0	0	0	11,580
SURINAME	0.01		11,580	0	0	0	0	0	0	0	11,580	0	0	0	0	11,580
Sub-total 2 New Member States		86-	39,445	0	0	0	6,410	0	0	0	33,035	0	0	0	0	33,035
		87-	41,615	0	0	0	5,945	0	0	0	35,670	0	0	0	0	35,670
		88-	18,644	0	0	0	7,792	0	0	0	10,852	0	0	0	0	10,852
		89-	23,189	0	0	0	149	0	0	0	23,040	0	0	0	0	23,040
		90-	0	0	3,525	257,763	0	0	2,350	171,842	0	0	1,175	85,921	7,672	8,847
		91-	0	0	5,875	429,605	0	0	2,350	171,842	0	0	3,525	257,763	23,016	26,541
		T-	122,893	0	9,400	687,368	20,296	0	4,700	343,684	102,597	0	4,700	343,684	30,688	137,985

Schedule 3.1 (continued)

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1991				Credits and Collections in 1991				Contributions Outstanding as at 31 December 1991					TOTAL
		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium (Rule 11.2)			
		Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	$ Equiv.	$ Equiv.
TOTAL	86-	215,298	0	0	0	135,786	0	0	0	79,512	0	0	0	0	79,512
	87-	300,068	0	0	0	198,914	0	0	0	101,154	0	0	0	0	101,154
	88-	1,223,379	0	0	0	746,874	0	0	0	476,505	0	0	0	0	476,505
	89-	3,506,831	0	0	0	2,279,205	0	0	0	1,227,626	0	0	0	0	1,227,626
	90-	0	0	3,604,628	263,511,554	0	0	3,121,774	228,212,510	0	0	482,864	35,299,044	3,151,720	3,634,574
	91-	0	0	11,759,250	859,642,467	0	0	8,429,383	616,216,590	0	0	3,329,867	243,425,877	21,734,480	25,064,347
	T-	5,245,576	0	15,363,878	1,123,154,021	3,360,779	0	11,551,157	844,429,100	1,884,797	0	3,812,721	278,724,921	24,886,200	30,583,718

1 The accession of the German Democratic Republic to the Federal Republic of Germany was effected on 3 October 1990, uniting both German States to form one sovereign State (cf. IDB.7/36). For 1991, Germany was assessed at the combined rates of the previous two German Member States, i.e., 1.30% for the German Democratic Republic and 8.18% for the Federal Republic of Germany.

2 Balances of 1991 assessed contributions in the amounts of $10,882 and AS795,530 due from the Government of Japan were charged to interest earned on regular budget funds.

Schedule 3.2

GENERAL FUND

Cash balances as at 31 December 1991

	Currency	Amount	Type of account	US$ equiv.	Maturity periods	Annual interest rate
Current/call accounts						
CABV, Vienna	US$	914,477	Current	914,477	N/A	4.000%
Chase Manhattan, Vienna	US$	3,629	Current	3,629	N/A	4.000%
Chase Manhattan, New York	US$	1,565,563	Current	1,565,563	N/A	3.303%
Bankers Trust, New York	US$	3,073	Current	3,073	N/A	2.840%
The Fuji Bank, Tokyo	US$	133	Current	133	N/A	N/A
Bank for Foreign Economic Affairs of the USSR, Moscow	US$	1,360	Current	1,360	N/A	N/A
CABV, Vienna	AS	3,462,717	Current	309,171	N/A	3.250%
CABV, Vienna	AS	7,000,000	Call	625,000	N/A	8.000%
Bank Austria AG, Vienna	AS	1,820,561	Current	162,550	N/A	3.750%
Total				3,584,956		
Deposit accounts						
Donau Bank, Vienna	AS	3,120,501	Time deposit	278,616	14.01.91-31.12.93	9.125%
CABV, Vienna	AS	15,000,000	Time deposit	1,339,286	09.12.91-13.01.92	9.350%
CABV, Vienna	AS	15,000,000	Time deposit	1,339,286	09.12.91-20.01.92	9.350%
CABV, Vienna	AS	10,000,000	Time deposit	892,856	30.12.91-27.01.92	9.250%
Chase Manhattan, Vienna	AS	15,000,000	Time deposit	1,339,286	09.12.91-07.01.92	9.400%
Total				5,189,330		

Summary of cash resources as at 31 December 1991

	(United States dollars)
Current accounts	3,584,956
Time deposits	5,189,330
Imprest accounts	149,552
Letters of credit	-
Total cash resources (Statement III)	8,923,838

Schedule 3.3

GENERAL FUND

Statement of sources and application of funds for the biennium 1990-1991 as at 31 December 1991

(In United States dollars)

		1990-1991	1988-1989
Funds were provided by			
Member States		176,816,928	142,861,357
Adjusted assessment, 1990-1991 (Statement II A)	172,124,181		
Add: Increase in value of 1988-1989 contributions (Statement II B)	3,097,278		
Decrease in unpaid contributions (Statement III)	1,524,284		
Increase in contributions from new Member States (Statement IIB)	71,185		
Other income		22,682,485	26,110,707
Increase in advance from Working Capital Fund (Statement III)		4,690,000	1,500,000
Net decrease in accounts receivable (Statement III)		2,680,199	(6,220,053)
Decrease in accounts receivable	2,612,260		
Add: Decrease in balance due from other funds	499,223		
	3,111,483		
Deduct: Decrease in accounts payable	(431,284)		
Total funds received		206,869,612	164,252,011
Funds were utilized for			
Disbursements, 1990-1991 (Statement I)		184,000,801	156,345,758
Disbursements against unliquidated obligations, 1988-1989		15,120,140	6,153,473
Unliquidated obligations, 1988-1989 (Statement III)	16,997,057		
Deduct: Savings on liquidation (Statement IIB)	(1,876,917)		
Reduction of loan from United Nations (Statement III)		2,000,000	-
Total funds disbursed		201,120,941	162,499,231
Increase in cash balance during biennium		5,748,671	1,752,780
Cash balance, 1 January 1990 (Statement III)		3,175,167	1,422,387
Cash balance, 31 December 1991 (Statement III)		8,923,838	3,175,167

Statement IV

WORKING CAPITAL FUND

Statement of assets and principal of Fund as at 31 December 1991

(In United States dollars)

Assets	
Current assets	
Cash	798,900
Assessed contributions unpaid	15,600
Advance to General Fund	8,190,000
Total assets	9,004,500
Principal of Fund	9,004,500
Total of Fund	9,004,500 a/

a/ See decision GC.1/Dec.33. Working Capital Fund temporarily increased above authorized level of $9,000,000 owing to admission of new Member States.

STATUS OF ADVANCES TO THE WORKING CAPITAL FUND

(As at 31 December 1991)

Member State	Scale of assessment (percentage)	Amount of Advance	Collections 1986-1990	Collections in 1991	Amount outstanding to date
			(in US dollars)		
AFGHANISTAN	0.01	900	900	0	0
ALBANIA	0.01	900	900	0	0
ALGERIA	0.15	13,500	12,600	900	0
ANGOLA	0.01	900	900	0	0
ARGENTINA	0.67	60,300	60,300	0	0
AUSTRIA	0.75	67,500	67,500	0	0
BAHAMAS	0.02	1,800	900	900	0
BAHRAIN	0.02	1,800	1,800	0	0
BANGLADESH	0.01	900	900	0	0
BARBADOS	0.01	900	900	0	0
BELARUS	0.34	30,600	30,600	0	0
BELGIUM	1.19	107,100	107,100	0	0
BELIZE	0.01	900	900	0	0
BENIN	0.01	900	900	0	0
BHUTAN	0.01	900	900	0	0
BOLIVIA	0.01	900	900	0	0
BOTSWANA	0.01	900	900	0	0
BRAZIL	1.47	132,300	132,300	0	0
BULGARIA	0.15	13,500	13,500	0	0
BURKINA FASO	0.01	900	600	0	300
BURUNDI	0.01	900	900	0	0
CAMEROON	0.01	900	900	0	0

Schedule 4.1 (continued)

Member State	Scale of assessment (percentage)	Amount of Advance	Collections 1986-1990	Collections in 1991	Amount outstanding to date
			(in US dollars)		
CANADA	[illegible]	[illegible]	[illegible]	0	0
CAPE VERDE	[illegible]	[illegible]	[illegible]	900	0
CENTRAL AFRICAN REPUBLIC	[illegible]	[illegible]	[illegible]	0	0
CHILE	[illegible]	[illegible]	[illegible]	900	0
CHINA	[illegible]	[illegible]	[illegible]	0	0
COLOMBIA	[illegible]	[illegible]	[illegible]	0	0
COMOROS	[illegible]	[illegible]	[illegible]	0	900
CONGO	[illegible]	[illegible]	[illegible]	900	0
COSTA RICA	[illegible]	[illegible]	[illegible]	0	0
COTE D IVOIRE	[illegible]	[illegible]	[illegible]	0	0
CUBA	[illegible]	[illegible]	[illegible]	0	0
CYPRUS	[illegible]	[illegible]	[illegible]	0	0
CZECHOSLOVAKIA	[illegible]	[illegible]	[illegible]	0	0
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	[illegible]	[illegible]	[illegible]	0	0
DENMARK	[illegible]	[illegible]	[illegible]	0	0
DOMINICA	[illegible]	[illegible]	[illegible]	0	0
DOMINICAN REPUBLIC	[illegible]	[illegible]	[illegible]	0	2.700
ECUADOR	[illegible]	[illegible]	[illegible]	0	0
EGYPT	[illegible]	[illegible]	[illegible]	0	0
EL SALVADOR	[illegible]	[illegible]	[illegible]	0	900
EQUATORIAL GUINEA	[illegible]	[illegible]	[illegible]	0	900
ETHIOPIA	[illegible]	[illegible]	[illegible]	0	0
FIJI	[illegible]	[illegible]	[illegible]	0	0

Schedule 4.1 (continued)

Member State	Scale of assessment (percentage)	Amount of Advance	Collections 1986-1990	Collections in 1991	Amount outstanding to date
			(in US dollars)		
FINLAND	0.52	46,800	46,800	0	0
FRANCE	6.33	569,700	569,700	0	0
GABON	0.03	2,700	2,700	0	0
GAMBIA	0.01	900	0	0	900
GERMANY	9.48	853,200	853,200	0	0
GHANA	0.01	900	900	0	0
GREECE	0.41	36,900	36,900	0	0
GRENADA	0.01	900	500	400	0
GUATEMALA	0.02	1,800	1,800	0	0
GUINEA	0.01	900	900	0	0
GUINEA-BISSAU	0.01	900	900	0	0
GUYANA	0.01	900	900	0	0
HAITI	0.01	900	900	0	0
HONDURAS	0.01	900	900	0	0
HUNGARY	0.21	18,900	18,900	0	0
INDIA	0.38	34,200	32,472	1,728	0
INDONESIA	0.15	13,500	13,500	0	0
IRAN (ISLAMIC REPUBLIC OF)	0.70	63,000	63,000	0	0
IRAQ	0.12	10,800	10,800	0	0
IRELAND	0.18	16,200	16,200	0	0
ISRAEL	0.21	18,900	18,900	0	0
ITALY	4.04	363,600	363,600	0	0
JAMAICA	0.01	900	900	0	0
JAPAN	11.52	1,036,800	1,036,800	0	0

Schedule 4.1 (continued)

Member State	Scale of assessment (percentage)	Amount of Advance	Collections 1986-1990	Collections in 1991	Amount outstanding to date
			(in US dollars)		
JORDAN	0.01	900	900	0	0
KENYA	0.01	900	900	0	0
KUWAIT	0.29	26,100	26,100	0	0
LAO PEOPLE'S DEMOCRATIC REPUBLIC	0.01	900	900	0	0
LEBANON	0.01	900	0	900	0
LESOTHO	0.01	900	900	0	0
LIBYAN ARAB JAMAHIRIYA	0.28	25,200	25,200	0	0
LUXEMBOURG	0.06	5,400	5,400	0	0
MADAGASCAR	0.01	900	900	0	0
MALAWI	0.01	900	900	0	0
MALAYSIA	0.11	9,900	9,900	0	0
MALDIVES	0.01	900	900	0	0
MALI	0.01	900	0	0	900
MALTA	0.01	900	900	0	0
MAURITANIA	0.01	900	0	900	0
MAURITIUS	0.01	900	900	0	0
MEXICO	0.95	85,500	85,500	0	0
MONGOLIA	0.01	900	900	0	0
MOROCCO	0.04	3,600	3,600	0	0
MOZAMBIQUE	0.01	900	900	0	0
NEPAL	0.01	900	900	0	0
NETHERLANDS	1.67	150,300	150,300	0	0
NEW ZEALAND	0.24	21,600	21,600	0	0
NICARAGUA	0.01	900	0	0	900

Member State	Scale of assessment (percentage)	Amount of Advance	Collections 1986-1990	Collections in 1991	Amount outstanding to date
			(in US dollars)		
NIGER	0.01	900	900	0	0
NIGERIA	0.20	18,000	18,000	0	0
NORWAY	0.56	50,400	50,400	0	0
OMAN	0.02	1,800	1,800	0	0
PAKISTAN	0.06	5,400	5,400	0	0
PANAMA	0.02	1,800	1,800	0	0
PAPUA NEW GUINEA	0.01	900	0	900	0
PARAGUAY	0.03	2,700	1,800	0	900
PERU	0.06	5,400	5,400	0	0
PHILIPPINES	0.09	8,100	8,100	0	0
POLAND	0.57	51,300	51,300	0	0
PORTUGAL	0.18	16,200	16,200	0	0
QATAR	0.05	4,500	3,600	900	0
REPUBLIC OF KOREA	0.22	19,800	19,800	0	0
ROMANIA	0.19	17,100	17,100	0	0
RUSSIAN FEDERATION	10.12	910,800	910,800	0	0
RWANDA	0.01	900	900	0	0
SAINT KITTS AND NEVIS	0.01	900	0	0	900
SAINT LUCIA	0.01	900	900	0	0
SAINT VINCENT AND THE GRENADINES	0.01	900	900	0	0
SAO TOME AND PRINCIPE	0.01	900	0	0	900
SAUDI ARABIA	1.03	92,700	92,700	0	0
SENEGAL	0.01	900	900	0	0
SEYCHELLES	0.01	900	900	0	0

Schedule 4.1 (continued)

Member State	Scale of assessment (percentage)	Amount of Advance	Collections 1986-1990	Collections in 1991	Amount outstanding to date
			(in US dollars)		
SIERRA LEONE	0.01	900	0	0	900
SOMALIA	0.01	900	0	0	900
SPAIN	1.98	178,200	178,200	0	0
SRI LANKA	0.01	900	900	0	0
SUDAN	0.01	900	900	0	0
SURINAME	0.01	900	0	0	900
SWAZILAND	0.01	900	900	0	0
SWEDEN	1.23	110,700	110,700	0	0
SWITZERLAND	1.09	98,100	98,100	0	0
SYRIAN ARAB REPUBLIC	0.04	3,600	3,600	0	0
THAILAND	0.10	9,000	9,000	0	0
TOGO	0.01	900	900	0	0
TONGA	0.01	900	900	0	0
TRINIDAD AND TOBAGO	0.05	4,500	4,500	0	0
TUNISIA	0.03	2,700	2,700	0	0
TURKEY	0.32	28,800	28,800	0	0
UGANDA	0.01	900	900	0	0
UKRAINE	1.27	114,300	114,300	0	0
UNITED ARAB EMIRATES	0.19	17,100	0	17,100	0
UNITED KINGDOM	4.92	442,800	442,800	0	0
UNITED REPUBLIC OF TANZANIA	0.01	900	900	0	0
UNITED STATES OF AMERICA	25.00	2,250,000	2,250,000	0	0
URUGUAY	0.04	3,600	3,600	0	0
VANUATU	0.01	900	900	0	0

Schedule 4.1 (continued)

Member State	Scale of assessment (percentage)	Amount of Advance	Collections 1986-1990	Collections in 1991	Amount outstanding to date
			(in US dollars)		
VENEZUELA	0.58	52,200	52,200	0	0
VIET NAM	0.01	900	900	0	0
YEMEN	0.02	1,800	1,800	0	0
YUGOSLAVIA	0.47	42,300	42,300	0	0
ZAIRE	0.01	900	900	0	0
ZAMBIA	0.01	900	900	0	0
ZIMBABWE	0.02	1,800	1,800	0	0
Sub-total (148 States)	**100.00**	**9,000,000**	**8,958,872**	**27,328**	**13,800**
CHAD	0.01	900	0	0	900
DJIBOUTI	0.01	900	0	0	900
LIBERIA	0.01	900	900	0	0
MYANMAR	0.01	900	0	900	0
NAMIBIA	0.01	900	0	900	0
Sub-total (5 States)	**0.05**	**4,500**	**900**	**1,800**	**1,800**
T O T A L (153 States)	**100.05**	**9,004,500**	**8,959,772**	**29,128**	**15,600**

1. Chad, Djibouti, Liberia, Myanmar and Namibia were not included in the UNIDO Scale of Assessments and are therefore considered as new members for the purpose of assessment.

Statement V

GENERAL FUND

Tax Equalization Fund

(In United States dollars)

I. Statement of income and expenditure for the biennium 1990-1991

	United States of America	Other Member States	Total
Income			
Actual staff assessment for the 24-month period of the biennium 1990-1991	8,347,192	25,041,576	33,388,768
Total income	8,347,192	25,041,576	33,388,768
Expenditure			
Refunds made to staff members	506,834		506,834
Credits given to Member States in accordance with resolution GC.1/Dec.26	5,955,075	17,865,225	23,820,300
	6,461,909	17,865,225	24,327,134
Gross excess of income over expenditure	1,885,283	7,176,351	9,061,634
Add: equivalent of the unobligated UNIDO General Fund balance of staff assessment appropriations already set off against the assessment on Member States for the biennium 1990-1991 pursuant to General Conference decision GC.1/Dec.26 of 13 December 1985 and decision GC.2/Dec.20 of 20 November 1987	(2,392,117)	(7,176,351)	(9,568,468)
Net excess of income over expenditure	(506,834)	--	(506,834) a/

a/ Since no amount was held available from the actual staff assessment resources to meet the cost of the tax reimbursements to staff members for income taxes due to the United States, the refunds made to staff members subject to the United States income tax during the years 1986-1991 will be carried forward until applied as an adjustment increasing the assessed contribution of the United States.

II. Statement of assets and liabilities as at 31 December 1991

	United States of America	Other Member States	Total
Assets			
Advances for estimated taxes	186,484		186,484
Total assets	186,484		186,484
Liabilities			
Unliquidated obligations	186,484		186,484
Due to the UNIDO General Fund	977,262		977,262
Total liabilities	1,163,746		1,163,746
Fund balance			
Balance available as at 1 January 1990	(470,428)	-	(470,428)
Add: excess of income over expenditure	(506,834)	-	(506,834)
Balance available as at 31 December 1991	(977,262)	-	(977,262)
Total liabilities and fund balance	186,484	-	186,484

Statement VI

Special account for programme support costs

(In United States dollars)

I. Statement of income and expenditure for the biennium 1990-1991

	1990-1991	1988-1989
Income		
UNDP	23,225,523	21,810,637
Trust funds	6,195,590	3,670,058
IDF	6,953,978	5,377,072
Other	1,477,830	1,151,648
Interest income	2,219,054	1,821,643
Miscellaneous	211,725	257,522
Total income	40,283,700	34,088,580
Expenditure		
Staff and other personnel costs	39,603,792	28,886,749
Travel	1,372,485	1,018,268
Contractual services	17,122	10,282
Operating expenses	402,150	212,895
Supplies and materials	52,530	49,071
Fellowships, grants, other	279,006	244,545
Total expenditure	41,727,085	30,421,810
Excess of income over expenditure for the above period	(1,443,385)	3,666,770

II. Statement of assets and liabilities as at 31 December 1991

Assets		
Cash	11,211,702	14,897,478
Accounts receivable	36,559	311,956
Deferred charges and other assets (note 3 (a))*	5,305,153	242,532
Due from UNIDO General Fund	129,876	--
Total assets	16,683,290	15,451,966
Liabilities		
Cash advance received from UNDP	--	2,513,892
Due to UNIDO General Fund	--	300,816
Unliquidated obligations	1,648,898	1,366,689
Commitments (note 3 (a))	5,305,153	242,532
Operating reserve (note 3 (b))	5,504,190	5,125,725
Total liabilities	12,458,241	9,549,654
Fund balance		
Balance available 1 January 1990	5,902,312	4,919,190
Add: Net excess of income over expenditure	(1,443,385)	3,666,770
Deduct: Transfer to reserves	378,465	2,683,648
Add: Transfer from reserve for reporting (annex V)	144,587	--
Balance available 31 December 1991	4,225,049	5,902,312
Total liabilities and fund balance	16,683,290	15,451,966

* References are to notes contained in annex I to the present document.

Schedule 6.1

Support cost cash balances as at 31 December 1991

	Currency	Amount	Type of account	US$ equiv.	Maturity period	Annual interest rate
US dollar accounts						
CABV, Vienna	US$	533,131	Call	533,131	N/A	4.0000%
CABV, Vienna	US$	1,500,000	Time deposit	1,500,000	04.12.91-07.01.92	5.0935%
Banque Paribas, Paris	US$	1,500,000	Time deposit	1,500,000	23.12.91-23.01.92	4.7500%
Schoeller Bank, Vienna	US$	1,000,000	Time deposit	1,000,000	29.11.91-29.01.92	5.0625%
Subtotal				4,533,131		
Schilling accounts						
Chase Manhattan, Vienna	AS	10,000,000	Time deposit	892,857	30.12.91-30.01.92	9.5500%
Chase Manhattan, Vienna	AS	10,000,000	Time deposit	892,857	30.12.91-27.02.92	9.5500%
Chase Manhattan, Vienna	AS	43,000,000	Time deposit	3,839,286	30.12.91-30.03.92	9.5000%
Sogenal, Vienna	AS	11,800,000	Time deposit	1,053,571	22.10.91-03.01.92	9.2000%
Subtotal	AS	74,800,000		6,678,571		
Total				11,211,702		

Statement VII

Technical cooperation activities executed by UNIDO

(In United States dollars)

I. Combined statement of income and expenditure for the biennium 1990-1991

	Regular programme	IDF (note 4)*	Trust funds (note 5)	UNDP (note 6)	Total
Income					
Allocations	10,272,916	--	--	195,507,658	205,780,574
Contributions	--	63,116,154	64,760,897	--	127,877,051
Interest income	--	7,238,041	9,155,395	--	16,393,436
Miscellaneous income	--	23,083	28,898	--	51,981
Gain/loss on exchange	--	194,723	1,142,637	--	1,337,360
Total income	10,272,916	70,572,001	75,087,827	195,507,658	351,440,402
Expenditure					
Salaries and common staff costs	4,413,944	22,248,409	37,796,409	68,427,674	132,886,474
Travel	179,526	2,662,432	1,671,152	2,001,659	6,514,769
Contractual services	2,003,611	3,783,930	7,009,556	21,353,543	39,150,640
Operational expenses	483,169	2,421,958	889,208	4,445,045	8,239,380
Acquisitions	1,389,223	7,934,948	7,115,074	52,488,553	68,927,798
Fellowships	1,803,443	11,551,169	2,445,792	23,565,661	39,366,065
Total project costs	10,272,916	55,602,884	56,927,191	172,282,135	295,085,126
Programme support costs	--	6,953,978	6,195,590	23,225,523	36,375,091
Total expenditure	10,272,916	62,556,862	63,122,781	195,507,658	331,460,217
Excess of income over expenditure	--	8,015,139	11,965,046	--	19,980,185

* References are to notes contained in annex I to the present document.

Statement VII (continued)

II. Combined statement of assets and liabilities as at 31 December 1991

	Regular programme	IDF (note 4)*	Trust funds (note 5)	UNDP (note 6)	Total
Assets					
Cash	--	54,698,576	60,706,710	2,145,681	117,550,967
Pledged contributions unpaid	--	22,809,061	--	--	22,809,061
Accounts receivable	--	2,446,427 a/	1,217,155 a/	2,195,659 a/	5,859,241
Due from UNDP for excess of expenditure over funds provided	--	--	--	19,388,407	19,388,407
Unspent allocations	--	--	--	121,901,291	121,901,291
Due from UNIDO General Fund	--	1,028,646	2,073,178	--	3,101,824
Deferred charges and other assets	--	7,853,968 b/	8,901,681 b/	39,858,234 b/	56,613,883
Total assets	--	88,836,678	72,898,724	185,489,272	347,224,674
Liabilities					
Accounts payable	--	1,985,713 c/	1,535,583 c/	18,428,095 c/	21,949,391
Unliquidated obligations	--	8,414,884	7,381,009	30,813,579	46,609,472
Unliquidated obligations future years	--	7,810,689	8,588,690	12,616,262	29,015,641
Due to UNIDO General Fund	--	--	--	1,730,045	1,730,045
Reserves	--	381,382	526,646	--	908,028
Operating reserve	--	550,000	--	--	550,000
Contributions paid in advance	--	9,427,026	--	--	9,427,026
Deferred income	--	29,571,034	--	121,901,291	151,472,325
Total liabilities	--	58,140,728	18,031,928	185,489,272	261,661,928
Fund balance					
Balance available 1 January 1990	--	22,680,811	42,901,750	--	65,582,561
Add: net excess of income over expenditure	--	8,015,139	11,965,046	--	19,980,185
Balance available 31 December 1991	--	30,695,950	54,866,796	--	85,562,746
Total liabilities and fund balance	--	88,836,678	72,898,724	185,489,272	347,224,674

a/ Annex I, note 4 (a).

b/ Annex I, note 4 (b).

c/ Annex I, note 4 (c).

Schedule 7.1

Summary of transactions on sub-accounts of the Industrial Development Fund for the biennium 1990-1991

(In US dollars)

	Fund balance 1/1/1990	Increase in firm pledges 1990-1991	Interest accrued 1990-1991	Other income 1990-1991	Expenditure 1990-1991	Fund balance as at 31/12/1991
	1	2	3	4	5	6
General-purpose convertible	4.614.845	2.036.433	639.121	83.740	3.549.259	3.804.880
Special-purpose convertible						
African Institute for Higher Technology Training	845	0	(845)	0	0	0
Apple Computer	6.369	(6.369)	0	0	0	0
Arab Industrial Development and Mining Organization	0	87.120	0	0	27.120	60.000
Argentina	10.892	0	(6.503)	0	0	4.389
Australia	22.984	(3.431)	18.510	0	5.739	32.324
Austria	633.016	1.751.455	147.664	(119.789)	2.077.024	335.322
Belgium	667.476	1.235.771	274.006	152.267	1.298.761	1.030.759
Brazil	5.434	226.000	10.487	0	226.099	15.822
Bulgaria	308	0	(308)	0	0	0
Caritas	0	0	2.318	0	0	2.318
China	298.190	438.532	193.217	0	425.933	504.006
Chiyoda Corporation	0	99.599	0	0	99.599	0
Colombia	0	0	398	0	0	398
Cordecruz	2.082	0	(2.082)	0	0	0
Côte d'Ivoire	(442)	0	0	0	0	(442)
Corporación Andina de Fomento	0	529.434	86.111	0	392.752	222.793
Democratic People's Republic of Korea	15.139	0	28.776	0	0	43.915
Denmark	247.109	1.712.587	15.494	(820)	1.832.408	141.962
Egypt	6.637	(6.452)	(845)	0	184	(844)
Egyptian Iron and Steel Company	845	0	0	0	0	845
Finland	816.955	1.197.779	692.637	(11)	671.367	2.035.993
France	2.786.123	7.677.799	862.269	1.038.934	7.379.021	4.986.084
Gaz de France		0	1.011	0	0	1.011
Germany (a)	3.781.262	9.310.800	706.260	(485.012)	10.427.278	2.948.032
India	147.047	283.635	210.264	0	198.400	442.546
Inverni della Beffa		0	1.115	0	0	1.115
Iran (Islamic Republic of)	0	375.160	25.572	(6)	375.160	25.566
Italy	7.370.497	17.984.640	2.026.811	1.196.293	17.969.923	10.608.318
Japan	551.495	5.327.006	428.488	18.637	4.875.292	1.250.334
Malta	1	0	0	0	0	1
Netherlands	306.288	787.906	275.918	48.362	522.381	896.093
Norway	(56)	445.629	84.086	(50)	297.366	232.243
Poland	0	49.000	3.270	0	30.677	21.593
Republic of Korea	65.729	588.543	14.134	(2.017)	479.824	186.565
Saudi Arabia	0	518.715	55.023	0	231.511	342.227
Saudi Consulting House	1.231	(588)	(531)	0	113	(1)
S.G. des Eaux Minerales de Vittel	9.103	0	2.348	(5)	1.505	9.941
Spain	2.491	0	797	0	463	2.825
Sweden	198.639	1.106.529	72.657	662	817.977	560.470
Switzerland	536.187	4.097.372	243.371	145.379	3.349.607	1.672.702
Turkey	0	0	2.281	0	0	2.281
Undetermined	0	206.159	0	0	16	206.143
United Kingdom	145.033	2.053.556	12.651	61.827	2.117.940	155.125
Venezuela		1	10.896	0	0	10.897
Yemen	365	0	(365)	0	0	0
Yugoslavia	198	0	(198)	0	0	0
Total special-purpose convertible	18.435.472	58.073.885	6.557.123	2.056.631	56.131.440	28.991.671
Non-convertible						
Bulgaria	(85.994)	(72.786)	0	(87.388)	(5.447)	(240.719)
China	(76.879)	(106.002)	0	(65.977)	(87.576)	(161.282)
Cuba	112.033	(12.493)	0	5.935	24.025	81.450
Czechoslavakia	8.920	461.986	1.274	(19.690)	477.310	(24.820)
Egypt	(57.943)	(3.406)	0	0	0	(61.349)
Hungary	(11.881)	244.167	20.724	(26.134)	254.908	(28.032)
India	(400.904)	673.601	0	(741.587)	396.278	(865.168)
Iran (Islamic Republic of)	0	56.667	0	0	56.667	0
Mongolia	2.436	0	0	(16.984)	0	(14.548)
Pakistan	(43.204)	16.244	0	(7.553)	14.410	(48.923)
Poland	111.098	68.438	0	(98.346)	202.027	(120.837)
Romania	992	54.038	0	(48.994)	54.038	(48.002)
Turkey	(167.255)	470.729	19.799	(92.190)	352.191	(121.108)
USSR	368.761	1.233.410	0	(807.213)	1.125.738	(130.780)
Yugoslavia	(129.686)	(78.758)	0	(96.407)	11.602	(316.453)
Total non-convertible	(369.506)	3.005.837	41.797	(1.902.528)	2.876.171	(2.100.571)
Grand total	22.680.811	63.116.155	7.238.041	237.843	62.556.870	30.695.980

(a) Includes balances from former German Democratic Republic

UNIDF/IDF statement of pledges and receipts, as at 31 December 1991

(In US dollars)

Country/ organization	Unpaid balances/ advances by donors brought forward from UNIDF 1.1.86	Adjust-ments to prior pledges	IDF firm pledges for				Collections in		Exchange adjust-ments	Unpaid balance	Advances by donors
			1986-1989	1990	1991	1992 and future years	1986-1990	1991			
					General-purpose convertible						
Afghanistan	1,500	0	3,000	0	0	0	4,500	0	0	0	0
Algeria	0	0	25,000	0	0	0	25,000	0	0	0	0
Angola	10,000	0	20,000	0	0	0	30,000	0	0	0	0
Argentina	0	150,000	0	0	0	0	149,990	0	10	0	0
Austria	0	0	285,869	155,039	168,067	169,492	483,007	166,667	(49,779)	178,572	0
Bahrain	5,000	0	0	0	0	0	5,000	0	0	0	0
Bangladesh	0	0	10,468	2,420	2,420	2,420	10,468	4,780	60	2,420	0
Barbados	0	0	20,000	0	0	0	20,000	0	0	0	0
Bhutan	1,320	0	1,450	0	0	0	2,770	0	0	0	0
Bolivia	2,000	0	17,313	0	0	0	14,313	0	0	5,000	0
Brazil	15,000	0	15,000	0	0	0	30,000	0	0	0	0
Burkina Faso	0	0	13,594	0	0	0	13,594	0	0	0	0
Cameroon	0	0	2,985	0	0	0	0	0	(678)	3,663	0
Chile	0	0	30,000	0	10,000	0	30,000	0	0	10,000	0
Colombia	1,425	40	22,937	5,772	0	0	30,174	0	0	0	0
Congo	11,426	0	0	0	0	0	3,400	0	76	7,950	0
Costa Rica	8,080	0	20,000	0	0	0	26,832	0	0	1,248	0
Cyprus	0	0	4,187	0	0	0	4,496	0	(309)	0	0
Czechoslovakia	0	0	0	40,501	0	0	40,501	0	0	0	0
Democratic People's Republic of Korea	0	0	0	0	0	32,558		32,558	0	0	0
Dominica	0	0	1,852	2,000	0	0	3,840	0	12	0	0
Ecuador	5,440	0	56,235	0	0	0	49,835	0	0	11,840	0
Egypt	0	0	2,000	0	0	0	2,000	0	0	0	0
Ethiopia	0	0	1,111	0	0	0	1,111	0	0	0	0
Fiji	0	0	1,009	0	0	0	0	0	256	753	0
Germany	0	0	18,736	0	0	0	18,736	0	0	0	0
Ghana	0	0	5,000	0	0	0	0	0	0	5,000	0
Greece	36,000	0	0	0	0	0	36,000	0	0	0	0
Grenada	0	0	0	0	2,500	2,500	0	0	0	5,000	
Guatemala	0	0	32,422	0	0	0	5,000	0	6,308	21,114	0
Guinea	0	(108,600)	0	0	0	0	(108,600)	0	0	0	0
Guyana	723	509	3,290	126	42	0	4,000	0	655	35	0
Haiti	0	0	5,000	0	0	0	5,000	0	0	0	0
Honduras	0	0	15,000	370	0	0	14,000	741	629	0	0
Hungary	0	0	24,495	19,839	21,024	24,865	40,721	18,315	7,597	23,590	0
India	500,000	0	1,000,000	250,000	0	0	1,750,000	0	0	0	0
Indonesia	0	0	50,000	0	0	0	50,000	0	0	0	0
Iraq	161,291	0	0	0	0	0	0	0	0	161,291	0
Italy	0	0	0	200,000	200,000	0	200,000	200,000	0	0	0

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Schedule 7.2 (continued)

Country/ organization	Unpaid balances/ advances by donors brought forward from UNIDF 1.1.86	Adjustments to prior pledges	IDF firm pledges for 1986–1989	1990	1991	1992 and future years	Collections in 1986–1990	1991	Exchange adjustments	Unpaid balance	Advances by donors
					General-purpose convertible (continued)						
Jamaica	4,000	0	8,000	0	0	0	12,000	0	0	0	0
Kenya	10,000	0	27,639	1,674	1,409	1,263	10,348	0	12,114	19,523	0
Kuwait	0	0	150,000	0	0	0	0	0	0	150,000	0
Lao People's Democratic Republic	1,500	0	1,500	0	0	0	1,500	0	0	1,500	0
Lesotho	0	1,308	5,162	0	0	0	6,311	0	159	0	0
Luxembourg	0	0	37,740	10,127	12,820	0	51,433	0	(2,867)	12,121	0
Madagascar	0	0	4,534	629	715	0	3,548	629	1,155	546	0
Malawi	0	0	7,166	0	0	0	5,097	0	507	1,562	0
Malaysia	450	0	80,000	20,000	20,000	20,000	100,450	20,000	0	20,000	0
Mali	2,611	0	0	0	0	0	0	0	(1,052)	3,663	0
Malta	0	0	0	400	400	0	0	400	0	400	0
Mauritius	0	0	3,458	1,000	1,000	0	3,786	1,000	14	658	0
Mexico	0	4,503	15,000	0	0	0	19,503	0	0	0	0
Mongolia	0	0	9,602	2,450	1,312	0	12,146	0	1,034	184	0
Morocco	5,038	5,010	5,000	0	0	0	13,421	0	1,627	0	0
Mozambique	4,925	0	5,063	0	0	0	5,563	0	4,425	0	0
Myanmar	0	0	4,000	1,040	1,000	0	3,000	1,966	74	1,000	0
Nepal	0	0	2,100	700	700	0	2,800	700	0	0	0
Netherlands	0	0	0	657,895	0	0	372,079	0	8,038	277,778	0
Nigeria	50,000	0	0	0	0	0	0	0	0	50,000	0
Oman	12,000	0	12,000	0	0	0	12,000	0	0	12,000	0
Pakistan	0	0	48,933	0	0	0	48,933	0	0	0	0
Panama	0	0	6,000	0	0	0	2,000	0	0	4,000	0
Papua New Guinea	0	0	12,871	0	0	0	14,773	0	(1,902)	0	0
Paraguay	30,000	0	0	0	0	0	24,000	0	0	6,000	0
Peru	25,000	0	0	0	0	0	5,000	0	0	20,000	0
Philippines	6,006	0	20,000	0	0	0	14,539	3,770	0	7,697	0
Portugal	0	0	30,000	0	0	0	30,000	0	0	0	0
Republic of Korea	0	0	121,000	35,000	35,000	35,000	156,000	35,000	0	35,000	0
Rwanda	0	0	16,000	4,000	0	0	20,000	0	0	0	0
Saint Vincent and the Grenadines	0	0	1,500	0	0	0	1,500	0	0	0	0
Saudi Arabia	0	0	3,000,000	0	0	0	3,000,000	0	0	0	0
Senegal	29,113	0	4,000	0	0	0	20,900	0	0	12,213	0
Sierra Leone	94	3,184	5,891	0	0	0	9,167	0	2	0	0
Somalia	2,467	0	0	0	0	0	0	0	67	2,400	0
Sri Lanka	0	0	12,666	3,333	3,333	0	15,963	3,333	36	0	0
Sudan	102,712	0	0	0	0	0	0	0	0	102,712	0
Suriname	2,000	0	0	0	0	0	0	0	0	2,000	0
Swaziland	1,532	1,802	7,147	1,444	0	0	10,931	0	(429)	1,423	0
Syrian Arab Republic	0	5,372	8,039	1,871	0	0	15,282	0	0	0	0

Country/ organization	Unpaid balances/ advances by donors brought forward from UNIDF 1.1.86	Adjustments to prior pledges	IDF firm pledges for 1986–1989	1990	1991	1992 and future years	Collections in 1986–1990	1991	Exchange adjustments	Unpaid balance	Advances by donors
General-purpose convertible (continued)											
Thailand	0	0	81,930	21,032	24,206	23,500	103,501	23,735	(68)	23,500	0
Togo	3,916	0	6,514	0	0	0	9,346	0	(747)	1,831	0
Trinidad and Tobago	0	8,375	50,329	0	0	0	60,379	0	(1,675)	0	0
Tunisia	0	0	92,029	21,932	0	0	89,342	21,932	2,687	0	0
Uganda	1,000	1,000	9,000	0	0	0	2,000	0	0	9,000	0
United Republic of Tanzania	0	0	3,408	414	332	283	2,906	332	864	335	0
Venezuela	0	0	11,467	0	0	0	11,467	0	0	0	0
Viet Nam	1,000	0	0	0	0	0	1,000	0	0	0	0
Yemen	0	0	6,400	2,000	0	2,000	4,007	0	(7)	6,400	0
Zaire	3,000	0	113,000	0	0	0	0	0	0	116,000	0
Zambia	517	0	16,845	5,004	1,136	0	17,094	3,644	3,384	280	0
Zimbabwe	0	8,078	29,175	10,272	9,962	5,601	45,021	9,962	2,501	5,601	0
Organizations											
King Abdulaziz City for Science and Technology, Saudi Arabia	0	0	32,760	0	0	0	29,868	0	0	2,892	0
S.G des Eaux Minerales de Vitte France	0	0	3,108	0	0	0	3,108	0	0	0	0
Computech Engineering Services Inc., USA	0	0	30,000	0	0	0	30,000	0	0	0	0
Cooperation Council for the Arab States of the Gulf (GCC)	0	0	11,587	0	0	0	0	0	0	11,587	0
Cordecruz, Bolivia	0	0	22,017	0	0	0	22,017	0	0	0	0
Total	1,058,086	80,578	5,899,533	1,479,184	517,378	319,482	7,450,717	549,464	(5,222)	1,359,282	0
Special-purpose convertible											
Argentina	0	0	0	0	0	0	60,000	(60,000)	0	0	0
Australia	(68,815)	0	162,926	2,283	3,455		179,470	0	0	0	(79,621)
Austria	(121,788)	0	3,216,928	1,212,937	1,017,729	372,342	4,643,365	723,203	0	331,580	0
Belgium	(480,520)	0	2,310,182	737,073	690,430	925,660	3,755,667	576,369	0	0	(149,211)
Brazil	0	0	0	226,000	0	0	256,000	0	0	0	(30,000)
Bulgaria	0	0	3,333	0	0	0	3,333	0	0	0	0
China	(289,639)	0	895,079	285,097	320,082	0	1,600,000	380,000	0	0	(769,381)
Colombia	0	0	0	0	0	0	0	5,491	0	0	(5,491)
Côte d'Ivoire	108,765	0	0	0	0	0	0	0	0	108,765	0
Democratic People's Republic of Korea	0	0	0	0	0	0	131,610	33,175	0	0	(164,785)
Denmark	0	0	594,335	462,591	1,452,751	1,123,091	1,829,755	667,350	0	1,135,573	0
Egypt	(190,893)	0	292,427	184	0	0	0	0	0	101,718	0
Finland	(259,801)	0	249,833	128,009	1,614,084	551,495	3,516,654	36,160	0	0	(1,269,194)
France	(817,302)	0	7,454,280	3,320,726	5,669,146	900,743	13,317,308	3,842,416	0	0	(632,131)
Germany	(1,807,841)	0	16,912,502	4,777,523	7,417,964	7,350,770	24,552,216	4,595,937	0	5,502,765	0
Hungary	5,597	0	(617)	0	0	0	4,980	0	0	0	0
India	79,685	0	293,767	84,518	236,136	20,681	1,550,000	0	0	0	(835,213)

Schedule 7.2 (continued)

Country/ organization	Unpaid balances/ advances by donors brought forward from UNIDF 1.1.86	Adjust-ments to prior pledges	IDF firm pledges for				Collections in		Exchange adjust-ments	Unpaid balance	Advances by donors
			1986-1989	1990	1991	1992 and future years	1986-1990	1991			
					Special-purpose convertible (continued)						
Iran (Islamic Republic of)	0	0	0	0	375,160	0	373,268	0	0	1,892	0
Italy	(597,640)	0	14,819,708	9,657,446	12,014,679	7,874,448	25,506,509	12,555,846	0	5,706,286	0
Japan	(662,483)	0	4,728,020	2,279,126	3,266,575	1,639,770	7,736,947	3,237,152	0	276,909	0
Malta	31,628	0	(31,628)	0	0	0	0	0	0	0	0
Netherlands	(292,528)	0	1,292,859	218,201	755,519	200,166	3,156,663	282,153	0	0	(1,264,599)
Norway	(282)	0	0	0	445,628	247,854	1,025,871	30,429	0	0	(363,100)
Poland	0	0	0	17,211	31,789	0	31,355	25,000	0	0	(7,355)
Republic of Korea	0	0	477,230	263,287	373,903	173,222	821,989	484,357	0	0	(18,704)
Saudi Arabia	0	0	0	10,162	508,553	224,604	0	840,230	0	0	(96,911)
Spain	(38,245)	0	65,983	463	1,283	0	31,640	0	0	0	(2,156)
Sweden	72,067	0	307,833	442,189	827,410	37,092	1,005,924	212,470	0	468,197	0
Switzerland	(1,608,536)	0	4,839,546	1,637,333	2,842,247	5,270,727	5,457,154	2,010,052	0	5,514,111	0
Turkey	0	0	0	0	0	0	25,000	0	0	0	(25,000)
United Kingdom	(150,310)	0	3,910,009	1,132,920	1,062,001	349,509	4,416,742	1,512,631	0	374,756	0
Venezuela	0	0	0	0	1	0	0	193,714	0	0	(193,713)
Yemen	(2,474)	0	1,249	0	0	0	0	(1,225)	0	0	0
Yugoslavia	(1,041)	0	0	0	0	0	0	(1,041)	0	0	0
Multi-donor projects	0	0	0	1,644	204,516	1,600,630	0	0	0	1,806,790	0
Organizations											
Arab Industrial Development and Mining Organization	(19,877)	0	(123)	27,120	60,000	0	(20,000)	0	0	87,120	0
African Institute for Higher Technology Training and Research, Kenya	1,253	0	(5,564)	0	0	0	(4,311)	0	0	0	0
Banque Ouest Africaine de developpement (BOAD), Togo	0	0	2,800	0	0	0	2,800	0	0	0	0
Caritas, Austria	0	0	0	0	0	0	0	28,846	0	0	(28,846)
Chiyoda Corporation, Japan	0	0	0	127,738	(28,140)	0	126,368	(26,770)	0	0	0
Corporación Andina de Fomento (CAF)	0	0	0	143,367	386,066	40,567	570,000	0	0	0	0
Egyptian Iron and Steel Co.	(10,576)	0	5,863	0	0	0	0	(4,713)	0	0	0
Gaz de France	0	0	0	0	0	0	0	17,967	0	0	(17,967)
Inverni della Beffa, Italy	0	0	0	0	0	34,999	0	34,694	0	305	0
Kuwait Institute for Higher Technical Training and Research	(48,229)	0	74,665	0	0	0	0	0	0	26,436	0
S.G.des Eaux Minerales de Vittel, France	0	0	21,846	0	8,044	0	33,715	0	0	0	(3,825)
Nobel Chematur, Sweden	0	0	9,040	0	0	0	9,040	0	0	0	0
Apple Computer, USA	0	0	27,531	0	0	0	33,900	(6,369)	0	0	0
Saudi Consulting House, Saudi Arabia	0	0	11,299	113	0	0	12,000	(588)	0	0	0
Total	(7,169,825)	0	62,943,141	27,195,261	41,557,011	28,938,280	105,752,932	32,224,936	0	21,443,203	(5,957,203)

Country/ organization	Unpaid balances/ advances by donors brought forward from UNIDF 1.1.86	Adjust-ments to prior pledges	IDF firm pledges for				Collections in		Exchange adjust-ments	Unpaid balance	Advances by donors
			1986-1989	1990	1991	1992 and future years	1986-1990	1991			
					Non-convertible						
Bulgaria	(222,203)	0	409,628	(22,498)	34,060	0	437,076	8,415	0	0	(246,504)
China	(54,661)	0	494,675	(90,340)	3,148	0	539,307	0	0	0	(186,485)
Cuba	(219,864)	0	253,996	52,549	11,260	0	136,479	28,572	0	0	(67,110)
Czechoslovakia	(78)	0	1,445,918	235,295	242,014	0	1,730,251	193,905	0	0	(1,007)
Egypt	21,793	0	34,894	0	0	0	72,492	0	0	0	(15,805)
Hungary	(1,360)	0	491,890	143,748	121,287	0	704,711	177,215	0	0	(126,361)
India	(399,558)	0	211,866	114,088	553,681	286,866	2,488,620	0	0	0	(1,721,677)
Iran (Islamic Rep. of)	0	0	0	0	56,667	0	0	66,667	0	0	(10,000)
Mongolia	(15,925)	0	0	0	0	0	0	0	0	0	(15,925)
Pakistan	(98,888)	0	75,439	6,471	9,166	1,531	76,046	0	0	0	(82,327)
Poland	(26,495)	0	776,863	10,283	294,048	0	924,751	274,346	0	0	(144,398)
Romania	(2,471)	0	150,904	(26,763)	80,801	0	189,228	6,667	0	6,576	0
Turkey	(2,258)	0	657,834	149,441	338,708	0	1,004,256	219,140	0	0	(79,671)
USSR	(402,605)	0	3,905,974	902,867	587,565	24,875	4,971,345	371,429	0	0	(324,098)
Yugoslavia	(57,228)	0	260,982	11,602	71,950	0	703,819	0	0	0	(416,513)
Organizations											
Egyptian Iron and Steel Co.	(26,747)	0	(5,195)	0	0	0	0	0	0	0	(31,942)
Total non-convertible	(1,508,548)	0	9,165,668	1,486,743	2,404,355	313,272	13,978,381	1,346,356	0	6,576	(3,469,823)
Grand total - IDF	(7,620,287)	80,578	78,008,342	30,161,188	44,478,744	29,571,034	127,182,030	34,120,756	(5,222)	22,809,061	(9,427,026)

Schedule 7.3

TECHNICAL COOPERATION ACTIVITIES
FINANCED BY TRUST FUNDS

Schedule of income and expenditure and fund balance
for the biennium 1990-1991

(In United States dollars)

	Fund balance 1 Jan. 90	Contributions received, interest and miscellaneous income	Expenditures	Fund balance 31 Dec. 91
Projects financed by recipient Governments				
Argentina	--	79,504	--	79,504
Botswana	--	28,604	--	28,604
China	--	214,320	279,281	(64,961)
Comoros	22,818	1,457	24,042	233
Democratic People's Republic of Korea	--	200,693	183,548	17,145
Egypt	12,822	32,002	29,137	15,687
Hungary	(525)	1,376	851	--
Iraq	802,964	467,440	13,683	1,256,721
Libyan Arab Jamahiriya	3,342,768	21,559,435	17,049,583	7,852,620
Madagascar	--	146,881	138,696	8,185
Poland	19,150	1,381	18,731	1,800
Qatar	202,996	(202,996)	--	--
Suriname	3,860	605	--	4,465
Union of Soviet Socialist Republics	(12,115)	614,692	425,760	176,817
United States of America	(7,290)	1,023,779	971,414	45,075
Subtotal	4,387,448	24,169,173	19,134,726	9,421,895
Associate experts				
Austria	44,209	121,779	105,138	60,850
Belgium	303,825	188,370	105,687	386,508
Denmark	404,665	348,536	497,552	255,649
Finland	110,876	315,962	225,115	201,723
France	125,521	335,294	339,571	121,244
Germany	958,441	1,373,317	1,392,303	939,455
Italy	1,253,828	3,839,849	1,751,286	3,342,391
Japan	435,069	948,414	1,024,090	359,393
Netherlands	990,494	2,209,330	2,214,703	985,121
Norway	60,609	193,314	231,821	22,102
Spain	--	71,413	59,486	11,927
Sweden	87,771	348,578	343,146	93,203
Subtotal	4,775,308	10,294,156	8,289,898	6,779,566

Schedule 7.3 (contd.)

	Fund balance 1 Jan. 90	Contributions received, interest and miscellaneous income	Expenditures	Fund balance 31 Dec. 91
Junior Professional Officers				
Austria	1,000	75	--	1,075
Belgium	163,827	(50,045)	13,024	100,758
Denmark	75,410	54,036	36,393	93,053
Finland	10,532	28,003	10,389	28,146
France	2,418	4,028	(244)	6,690
Germany	253,375	105,424	54,694	304,105
Italy	2,284	9,662	(2,493)	14,439
Japan	27,257	9,129	4,225	32,161
Netherlands	51,893	82,911	33,289	101,515
Norway	8,807	31,219	3,831	36,195
Sweden	14,887	14,336	11,207	18,016
Switzerland	13,345	3,617	4,070	12,892
Subtotal	625,035	292,395	168,385	749,045
Projects financed by donor Governments				
Australia	7,456	(7,456)	--	--
Austria	104,956	218,835	317,415	6,376
Bulgaria	21,384	(21,384)	--	--
Canada	6,509	40,025	34,665	11,869
Denmark	442,562	750,769	394,560	798,771
Finland	--	319,145	241,682	77,463
France	3,965	824,791	368,183	460,573
India	539,407	1,229,824	1,211,756	557,475
Italy	10,792,414	7,271,937	8,005,682	10,058,669
Japan	4,005,621	4,001,637	2,805,147	5,202,111
Netherlands	391,926	75,635	14,454	453,107
Nigeria	52,929	(52,929)	--	--
Norway	178,280	719,726	600,713	297,293
Republic of Korea	--	842,293	264,845	577,448
United Kingdom	--	2,334,906	1,097,475	1,237,431
Venezuela	23,112	(23,112)	--	--
Subtotal	16,570,521	18,524,642	15,356.577	19,738,586
Other trust funds				
Amran Cement Plant	52,753	5,317	79,945	(21,875)
Armenian General Benevolent Union	25,463	5,032,835	4,836,567	221,731
Arthur Andersen & Co	--	51,546	37,637	13,909
Associate Mining Industries Nigeria	--	56,676	18,830	37,846
Atisa Atkins SA	--	19,549	--	19,549
Banco de Sabadell	--	161,391	22,741	138,650
Banco Espanol de Credito	--	16,798	12,084	4,714
Benue Cement Company	379,570	24,816	353,771	50,615
Cement Company of Northern Nigeria	602,773	508,267	907,713	203,327

Schedule 7.3 (contd.)

	Fund balance 1 Jan. 90	Contributions received, interest and miscellaneous income	Expenditures	Fund balance 31 Dec. 91
Other trust funds (continued)				
Centro de investigaciones Textiles	--	222,442	201,487	20,955
Chiyoda Corporation	90,749	14,232	--	104,981
Cie, Financiere et industrielle	25,571	(3,730)	5,610	16,231
Citoh and Co. Ltd.	--	109,367	93,164	16,203
Commission of the European Communities	--	33,612	31,956	1,656
Cominco Engineering	2,850	(2,850)	--	--
Engineering Consulting Firms Association	57,777	216,864	216,327	58,314
Ernst and Young	--	59,773	53,821	5,952
FAGACE	--	18,907	16,304	2,603
Farmitalia Carlo Erba SA	25,844	12,601	33,900	4,545
Gabon Consultants et Associés	--	52,502	49,216	3,286
Goldstar Co. Ltd	--	249,273	89,288	159,985
Gulf Co-operation Council	33,675	3,236	29,835	7,076
Helwan Portland Cement Co.	--	1,443,696	1,228,185	215,511
IBM	34,317	(34,317)	--	--
Industrial Research and Consultancy Centre	387	--	58	329
Industriradee	37,649	264,290	225,376	76,563
Ing. Wolfgang Tomandl	9,523	(9,523)	--	--
Intertec Contracting Association	3,585	562	--	4,147
Islamic Development Bank	--	53,571	7,278	46,293
International Trade Centre	(12,442)	45,645	33,203	--
Japan International Development Organization	--	1,133,310	1,208	1,132,102
Korea Association of Machine Industry	20,093	(17,884)	2,209	--
Korean Society for Advancement of the Machinery Industry	--	14,986	14,986	--
Krupp Koppers GmbH	--	16,031	16,031	--
Laminaciones Peruanas SA	--	46,898	33,190	13,708
Marubeni Corporation	26,217	7,729	8,329	25,617
Mitsubishi Corporation	--	600,077	254,790	345,287
National Industrialisation Co.	8,359	17,171	2,550	22,980
New Nigeria Development Co.	--	68,645	22,186	46,459
Nigerian Industrial Development Bank	47,448	7,441	--	54,889
Nigerian National Petroleum Corporation	--	2,502,170	32,158	2,470,012
Petlas Tyre Manufacturing	2,461	(2,461)	--	--

Schedule 7.3 (contd.)

	Fund balance 1 Jan. 90	Contributions received, interest and miscellaneous income	Expenditures	Fund balance 31 Dec. 91
Other trust funds (continued)				
Petrol Nasion Berhard	--	171,793	39,245	132,548
PORR	18,767	(18,767)	--	--
Price Waterhouse	--	41,606	32,566	9,040
Regional Asia Enterprise Co-operation Forum	383	(383)	--	--
Reliance Industries Ltd.	23,758	(23,758)	--	--
Research Area of Trieste	14,630,074	4,607,912	8,152,903	11,085,083
Rockefeller Foundation	--	173,917	33,192	140,725
Saudi Basic Industries Corporation	--	14,011	13,687	324
Servicio Nacional de aprendizagem Industrial	--	227,803	--	227,803
Sezione Speciale per l'Assicurazione del Credito	--	61,992	40,498	21,494
Shahid Modarres Ind Pharmac.	--	314,925	84,750	230,175
Sibir Inc.	--	267,994	27,421	240,573
Societe Nation d' Investissement	--	55,806	--	55,806
The Yemen Corporation for Cement Industries	176,941	4,763	155,157	26,547
Trustees of the FOX Gibraltar Sett	--	26,729	--	26,729
United Nations Environment Programme	61	14,187	--	14,248
United Nations Fund for Special Industrial Services	126,791	19,885	--	146,676
United States Trade and Development Programme	2,574	(2,574)	--	--
World Health Organization	--	6,045	5,478	567
World Bank	71,469	2,121,781	2,118,091	75,159
Subtotal	16,525,440	21,107,128	19,674,921	17,957,647
Multi-donor trust funds				
	17,998	700,333	498,274	220,057
Subtotal	17,998	700,333	498,274	220,057
TOTAL	42,901,750	75,087,827	63,122,781	54,866,796

Annex I

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of significant accounting policies

The following are the significant accounting policies of UNIDO:

(a) UNIDO's accounts are maintained in accordance with the Financial Regulations of UNIDO as adopted by the General Conference, the rules formulated thereunder, administrative instructions in force as at the date of conversion of UNIDO into a specialized agency, and in conformity with generally accepted government accounting principles. UNIDO follows the International Accounting Standard 1 on the disclosure of accounting policies, as modified and adopted by the Consultative Committee on Administrative Questions at its fifty-fourth session, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons.

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies.

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used.

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place.

(v) Financial statements should show corresponding figures for the preceding period.

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The UNIDO financial statements are prepared on the historical cost basis of accounting and have not been adjusted to reflect the effects of changing prices for goods and services.

(c) Fund accounting. The UNIDO accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the General Conference or the Director-General. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(d) The financial period of the Organization is a biennium and consists of two consecutive calendar years.

(e) The income, expenditure, assets and liabilities are recognized on the accrual basis of accounting.

(f) Translation of currencies. The accounts of the Organization are presented in United States dollars. Transactions in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the United Nations. In respect of such currencies, the financial statements, prepared at such intervals as may be prescribed, shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements.

(g) Assessed contributions. In accordance with financial regulation 5.6, payments made by a Member State are credited first to the Working Capital Fund and then to the contributions due, in the order in which the Member State was assessed.

(h) Pledged contributions. Pledges are recorded as income on the basis of a written commitment by a prospective donor to pay a monetary contribution at a specified time or times. Pledges received for future years are recorded as deferred income.

(i) Funds on deposit in interest-bearing bank accounts, certificates of deposit, time deposits and call accounts are shown in the statements of assets and liabilities as cash.

(j) Deferred charges.

(i) Deferred charges comprise expenditure items which are not properly chargeable in the current financial period and which will be charged as expenditure in a subsequent financial period. These expenditure items include commitments approved for future financial periods when they are necessary in the interests of UNIDO, in accordance with financial rule 110.6; such commitments are normally restricted to administrative requirements of a continuing nature and to other contracts or legal obligations where long lead-times are required for delivery.

(ii) For balance-sheet statement purposes only, that portion of the education grant advance which is assumed to pertain to the scholastic year completed as at the date of the financial statement is shown under deferred charges. The full amount of the advance is maintained in the accounts receivable from staff members until such time as the staff member produces the required proof of entitlement to the education grant, at which time the budgetary account is charged and the advance recovered.

(k) Fixed assets. Furniture, equipment, other non-expendables and leasehold improvements are not included in the assets of the Organization. Acquisitions are charged against budgetary accounts in the year of purchase.

(l) No provision is made in the General Fund for repatriation grant entitlements or to meet contingencies under appendix D to the Staff Rules of UNIDO as funds are provided for in the budget appropriations. However, provision to meet contingent liabilities for compensation payments under appendix D for personnel financed by technical cooperation and general trust funds is calculated on the basis of one per cent of net base pay.

(m) Statement of surpluses due to Member States - shows funds available for credit to Member States arising from unobligated balances of appropriations, savings in the liquidation of obligations for prior periods and contributions from new Member States. In accordance with financial regulation 4.2 (b) as amended the amount standing to the credit of Member States is reduced by the amount of contributions remaining unpaid. The balance of the surplus account is to be offset against future assessments in accordance with financial regulation 5.2 (d) unless the General Conference decides otherwise.

(n) Miscellaneous income.

(i) The net income realized from revenue-producing activities is reported as miscellaneous income.

(ii) Refunds of expenditures charged to prior financial periods are credited to miscellaneous income.

(iii) Moneys accepted in respect of which no purpose is specified have been treated as miscellaneous income.

(iv) On the closing of the accounts at the end of each financial period, the balance of the exchange accounts is debited/credited to miscellaneous income.

(v) The proceeds from the sale of surplus property are credited to the miscellaneous income of the respective funds.

(o) Revenue-producing activities. Income from credit sales for the sale of publications are accounted for on the accrual basis in accordance with the provision of rule 111.8.

(p) Technical cooperation accounts.

(i) The technical cooperation financial statements report on the activities financed by UNDP, trust funds and the Industrial Development Fund. In addition, the expenditure for projects executed under the regular budget of UNIDO (UNIDO's regular programme of technical assistance) together with corresponding amounts of allocations are also reflected in the technical cooperation financial statements as supplementary information in order to give an overall view of technical cooperation activities.

(ii) The appropriations for technical cooperation programmes of the regular budget are administered in accordance with the Financial Regulations of the United Nations Industrial Development Organization.

(iii) Allocation income - UNDP. The figures for allocation income from UNDP are the same as reported for total expenditure in line with UNDP procedures which require that allocations be adjusted to equal actual expenditure.

(iv) Contributions income - trust funds. Contributions from Governments or other donors are recorded upon receipt of the contribution.

(v) Interest and miscellaneous income. Interest and miscellaneous income arising from regular budget activities are credited to miscellaneous income of the General Fund. Interest and miscellaneous income arising from UNDP activities are credited to the operating fund account maintained with that organization. Interest and miscellaneous income for technical cooperation trust funds and the Industrial Development Fund are credited to the fund concerned.

(vi) Unspent allocations/deferred income - UNDP. The unspent balance of allocations issued for the current year together with allocations issued for future years is reflected as an asset and as deferred income.

(vii) The criteria for recording and reporting unliquidated obligations against the current biennium for the regular programme of technical cooperation are the same as those for the regular budget. For all other technical cooperation fund sources obligations may be reported as expenditure of the current year on the basis of the following criteria:

Personnel Services

The cost of salaries and related expenses corresponding to services rendered within the calendar year. Personnel services, in this context, includes temporary asssistance and overtime as well as consultants who have subscribed to Special Service Agreements. However, when the remuneration of the consultant is expressed as a lump sum rather than a sum per period worked, the full cost of the contract may be treated as an obligation of the current year.

Supplies and equipment

The full cost of contracts or purchase orders entered into prior to the end of the year, whether or not delivery has been effected as long as there is budgetary provision in the current period.

Subcontracts

An obligation can be sustained on the basis of the payment schedule included in the signed contract with the contractor i.e. a payment scheduled for 1989 can be retained as an obligation. Where no payment schedule exists the basis is the estimated timing of payments.

Fellowships

The cost of the fellowship from the date of commencement of study to completion of study or 31 December, whichever is earlier. The fellow must have been placed, i.e., the fellowship awarded to a named individual and the place of study, the course of study and the duration of the study established and the recipient Government notified.

Travel

The cost of travel started prior to the end of the calendar year. The full cost of transportation together with the cost of travel, subsistance allowances, and other incidental expenses can be sustained.

Group training

The cost of meetings held in the current year. In the case of meetings beginning in one year and continuing into the next the full cost of the meeting should be charged to the current year.

(viii) Unliquidated obligations for the current period in respect of all technical cooperation activities other than the regular budget remain valid for twelve months following the end of the year, rather than the biennium, to which they relate. However, in accordance with UNDP reporting requirements, executing agencies may retain unliquidated obligations beyond twelve months when a firm liability to pay still exists; such liabilities are reported as accounts payable in the financial statements. Savings in the liquidation of prior period obligations are credited to individual projects as a reduction of current period expenditure in accordance with UNDP reporting requirements. The UNDP requirements are also applied in the case of the Industrial Development Fund and trust funds.

(ix) Unliquidated obligations for future years are reported as deferred charges and as a separate liability item.

(x) A system of average costing is used for UNDP projects whereby those elements of experts' actual costs which are unique to the individual expert are charged to UNDP projects at average cost, calculated by apportioning those costs over all UNDP projects in respect of which expert-months have been delivered in the current period.

(q) Trust funds. Secretary-General's bulletin ST/SGB/188 dated 1 March 1982 sets out revised policies for establishing and managing trust funds with effect from 1 January 1982. The revised policies include a reclassification of trust funds into two major categories: general trust funds and technical cooperation trust funds. Extrabudgetary funds provided to reimburse the Organization for the use of its facilities are excluded from the provisions of ST/SGB/188.

(r) Special accounts for programme support costs.

(i) Reimbursement for programme support costs is provided for in respect of extrabudgetary technical cooperation activities. Reimbursement is calculated as a percentage of the programme resources expended.

(ii) In the financial statements of the Organization, the special account for programme support costs (Statement VI) is shown separately from the extrabudgetary funds (Statement VII) from which their income derives.

(iii) Unliquidated obligations in respect of special accounts for programme support costs are accounted for on the same basis as for the programme budget.

Note 2. General Fund

(a) (Statement I, Statement II A)
Adjustment of appropriation

The General Conference (GC.3/Dec.23) appropriated an amount of $156,718,100 for the regular budget on the basis of an exchange rate of 12.90 Austrian schillings to one United States dollar. This amount has been adjusted according to the adjustment formula in order to take into account the average exchange rate actually experienced during the biennium (AS 11.54 = US$1).

(b) (Schedule 1.2)
Total expenditure

Actual income from staff assessment during the biennium totalled $33,388,728 and has, in accordance with decision GC.1/Dec.26, been credited to the Tax Equalization Fund rather than being shown as income. Expenditure on staff assessment of the same amount has been omitted from Statement I so as to reflect correctly the balance of appropriations.

(c) (Statement II A)
Revaluation of assessment

Receipts in US$	19,698,729	
US$ equivalent of receipts in AS at rates in effect at date of payment	123,761,919	
	143,460,648	143,460,648
Unpaid US$ contributions	3,808,021	
Unpaid AS contributions valued at December 1991 rate of US$1 = AS 10.20	24,855,512	
	28,663,533	28,663,533
Value of 1990-1991 assessment as at 31 December 1991 (US$)		172,124,181
1990-1991 assessment as per Statement I (US$)		172,417,179
Decrease in value of assessment due to exchange fluctuations (US$)		(292,998)

(d) (Statement II A)
Provisional excess of income over expenditure

Includes assessed contributions irrespective of collectibility as well as refunds of prior biennia's expenditure of US$651,210.

(e) (Statement II B, Statement III)
Surpluses due to Member States

Pursuant to Financial Regulation 4.2 (c) the amount to be surrendered to Member States ... is the remaining balance of any regular budget appropriations after deducting therefrom any contributions from Members relating to the fiscal period of the appropriations which remain unpaid. The surplus due to Member States is therefore conditional on the receipt of contributions relating to the relevant fiscal period.

(f) (Statement II B)
Increase in the value of AS contributions, 1988-1989

Pursuant to decision IDB.7/Dec.7, paragraph (d), arrears of assessed contribution in Austrian schillings for 1988-1989 were valued at the exchange rate of US$ 1 = 12.27 being the average exchange rate for the three year period covering the biennium 1988-1989 and the twelve month period following the biennium and ending on 31 December 1990.

	AS	US$
Unpaid AS contributions as at 31 December 1989 valued at December 1989 rate of US$ 1 = AS 12.60	306,744,954	24,344,821
Receipts in AS converted at rates in effect at date of payment	261,539,537	23,757,862
		586,959
Increase in value of unpaid AS contributions		3,097,278
Unpaid AS contributions valued at US$ 1 = AS 12.27 as at 31 December 1990	45,205,417	3,684,237

(g) (Statement III)
Accounts receivable

The following table is an aged analysis of the accounts receivable, expressed in millions of United States dollars, included in Statement III as at 31 December 1991:

	Less than one year	More than one year	Total
Governments	2.2	-	2.2
Staff members	1.6	-	1.6
Specialized agencies	4.4	-	4.4
Other	0.3	-	0.3
Total accounts receivable	8.5	-	8.5

(h) (Statement III)
Deferred charges

The table below provides an analysis of the amount shown in Statement III as deferred charges, expressed in millions of United States dollars, as at 31 December 1990:

Commitments	26.1
Education grant advances	0.7
Total deferred charges	26.8

(i) (Statement III)
Accounts payable

The following table is an analysis of the accounts payable, expressed in millions of United States dollars, appearing in Statement III as at 31 December 1991:

Governments	0.1
Staff members	0.1
Vendors	1.2
Specialized agencies	2.2
Repatriation grants	0.1
Total accounts payable	3.7

(j) (Statement III)
Due to other funds

The following table is an analysis of the interfund balances, expressed in millions of United States dollars, appearing in Statement III as at 31 December 1991. These interfund balances reflect transactions between UNIDO and other agencies and entities which are normally settled in the following month.

Due from the United Nations and other UNIDO Funds:	
Tax Equalization Fund (Statement V)	1.0
United Nations	0.4
United Nations Development Programme (UNDP) (Statement VII)	1.7
	3.1
Due to other UNIDO funds:	
Special account for programme support costs (Statement VI)	0.1
Trust funds (Statement VII)	2.1
Reserve for reporting	-
EDP services revolving fund (Annex III)	0.1
COMFAR revolving fund (Annex IV)	0.5
Self-liquidating commercial activities (Annex II)	0.2
Industrial Development Fund (Statement VII)	1.0
Total	4.0
Net amount due to other funds	0.9

(k) (Statement III)
Commitments

The commitments of $26.1 million represent legal obligations, entered into prior to 31 December 1991, for which disbursements will be made in 1992-1993 or in future biennia. Obligations in currencies other than US dollars have been converted to US dollars at the official United Nations rate of exchange in effect in December 1991.

	1992-1993	Future biennia	Total
VIC operating expenses	9.4	9.5	18.9
EDP mainframe facilities management	1.2	0.6	1.8
EDP mainframe hardware rental and maintenance	1.2	1.8	3.0
Office automation hardware rental and maintenance	0.6	-	0.6
EDP and office automation software licence fees	0.9	0.9	1.8
	13.3	12.8	26.1

Of the $18.9 million committed in respect of Vienna International Centre operating expenses, $12.9 million will, when disbursed, be recovered from other agencies in accordance with current agreements regarding operation of the Centre.

(l) Non-expendable equipment

The following table shows the non-expendable equipment, at cost, expressed in millions of United States dollars, according to the cumulative inventory records of UNIDO as at 31 December 1991. In accordance with our accounting policies, non-expendable equipment is not included in the fixed assets of the Organization but is charged against the appropriations when acquired.

Balance as at 1 January 1990	15.6
Add: Acquisitions during 1990-1991	3.4
	19.0
Less: Disposals during 1990-1991	0.4
Balance as at 31 December 1991	18.6

Note 3. Special acccount for programme support costs

(a) (Statement VI)
Deferred charges and commitments

The commitments of $5.3 million represent legal obligations, entered into prior to 31 December, 1991, for which disbursements will be made in 1992-1993 or in future biennia. Obligations in currencies other than US dollars have been converted to US dollars at the official United Nations rate of exchange in effect in December 1991. An equivalent amount is shown as deferred charges. The following is a breakdown:

	1992-1993	Future biennia	Total
EDP mainframe facilities management	1.2	0.6	1.8
EDP mainframe hardware	1.0	1.4	2.4
EDP mainframe software	0.5	0.6	1.1
	2.7	2.6	5.3

(b) (Statement VI)
Operating reserve

The operating reserve is maintained in accordance with conclusion 89/4 of the Programme and Budget Committee.

Note 4. Industrial Development Fund

(a) Accounts receivable

The following table is an aged analysis of the accounts receivable, expressed in millions of United States dollars, included in statement VII as at 31 December 1991:

	Less than one year	More than one year	Total
Governments	0.0	-	0.0
Staff members	0.2	-	0.2
Specialized agencies	1.8	-	1.8
Other	0.4	-	0.4
Total accounts receivable	2.4	-	2.4

(b) Deferred charges

The table below provides an analysis of the amount shown in statement VII as deferred charges, expressed in millions of United States dollars, as at 31 December 1991:

Future years' commitments	7.8
Other	0.0
Total deferred charges	7.8

(c) Accounts payable

The following table is an analysis of the accounts payable, expressed in millions of United States dollars, appearing in Statement VII as at 31 December 1991:

Governments	0.0
Staff members	0.0
Vendors	0.0
Specialized agencies	0.5
Repatriation grants	0.1
Other	0.2
Prior years' obligations	1.2
Total accounts payable	2.0

Note 5. Trust funds

(a) Accounts receivable

The following table is an aged analysis of the accounts receivable, expressed in millions of United States dollars, included in Statement VII as at 31 December 1991:

	Less than one year	More than one year	Total
Governments	0.3	-	0.3
Staff members	0.1	-	0.1
Specialized agencies	0.7	-	0.7
Other	1.1	-	1.1
Total accounts receivable	1.2	-	1.2

(b) Deferred charges

The table below provides an analysis of the amount shown in Statement VII as deferred charges, expressed in millions of United States dollars, as at 31 December 1991:

Future years' commitments	8.6
Other	0.3
Total deferred charges	8.9

(c) Accounts payable

The following table is an analysis of the accounts payable, expressed in millions of United States dollars, appearing in Statement VII as at 31 December 1991:

Governments	0.0
Staff members	0.0
Vendors	0.0
Specialized agencies	0.0
Repatriation grants	0.7
Prior years' obligations	0.3
Other	0.5
Total accounts payable	1.5

Note 6. United Nations Development Programme (UNDP)

(a) Accounts receivable

The following table is an aged analysis of the accounts receivable, expressed in millions of United States dollars, included in Statement VII as at 31 December 1991:

	Less than one year	More than one year	Total
Governments	0.0	-	0.0
Staff members	0.6	-	0.6
Other	1.6	-	1.6
Total accounts receivable	2.2	-	2.2

(b) Deferred charges

The table below provides an analysis of the amount shown in Statement VII as deferred charges, expressed in millions of United States dollars, as at 31 December 1991:

IOV charges pending clearance	28.3
Future years' commitments	12.6
Other	(1.1)
Total deferred charges	39.8

(c) Accounts payable

The following table is an analysis of the accounts payable, expressed in millions of United States dollars, appearing in Statement VII as at 31 December 1991:

Governments	0.0
Staff members	0.6
Vendors	0.0
Specialized agencies	2.8
Other provisions	6.6
Prior years' obligations	6.7
Other	1.7
Total accounts payable	18.4

Annex II

SELF-LIQUIDATING COMMERCIAL ACTIVITIES

(In United States dollars)

I. VIC Catering Services

Statement of income and expenditure for the biennium 1990-1991

Income	
Gross sales	10,037,891
Less: Cost of goods sold	4,184,738
Net income from sales	5,853,153
Other income	376,480
Total income	6,229,633
Expenditure	
Personnel services	5,261,873
Other	723,789
Total expenditure	5,985,662
Excess of income over expenditure	243,971

Statement of assets and liabilities as at 31 December 1991

Assets	
Cash	714,781
Accounts receivable	207,482
Interest receivable	128
Inventory	71,837
Due from UNIDO General Fund	57,267
Total assets	1,051,495
Liabilities	
Accounts payable	159,077
Total liabilities	159,077
Reserves	
Reserve for termination benefits	326,976
Total reserves	326,976
Fund balance	
Balance available 1 January 1990	648,447
Add: Excess of income over expenditure	243,971
Deduct: Transfer to reserve for termination benefits	326,976
Balance available 31 December 1991	565,442
Total liabilities, reserves and fund balance	922,336

II. VIC Garage Operation

Statement of income and expenditure for the biennium 1990-1991

Income	
Income from collection of fees	396,602
Other income	13,162
Total income	409,764
Expenditure	
Personnel services	272,023
Other	112,641
Total expenditure	384,664
Excess of income over expenditure	25,100

Statement of assets and liabilities as at 31 December 1991

Assets	
Cash	636
Accounts receivable	6,600
Due from UNIDO General Fund	114,288
Total assets	121,524
Liabilities and fund balance	
Accounts payable	13,180
Balance available 1 January 1990	83,244
Add: Excess of income over expenditure	25,100
Balance available 31 December 1991	108,344
Total liabilities and fund balance	121,524

Annex III

EDP SERVICES REVOLVING FUND

(In United States dollars)

I. Statement of income and expenditure for the biennium 1990-1991

Income	
Reimbursement received from UNOV	226,879
Total income	226,879
Expenditure	
Salaries and other personnel costs	408,611
Total expenditure	408,611
Excess of income over expenditure	(181,732)

II. Statement of assets and liabilities as at 31 December 1990

Assets	
Due from General Fund	69,854
Total assets	69,854
Fund balance	
Balance available 1 January 1990	251,586
Add: net excess of income over expenditure	(181,732)
Balance available 31 December 1991	69,854
Total liabilities and fund balance	69,854

Annex IV

COMPUTER MODEL FOR FEASIBILITY ANALYSIS AND REPORTING (COMFAR) DEVELOPING FUND

(In United States dollars)

I. Statement of income and expenditure for the biennium 1990-1991

Income		
Fees received from users		654,408
Total income		654,408
Expenditure		
Operation		
Salaries and other personnel costs	245,620	
Travel	20,247	
Contractual services	174	
Operating expenses	7,998	
Acquisitions	15,127	
Fellowships, grants, other	10,085	
	299,251	
Project		
Salaries and common staff costs	277,317	
Travel	5,841	
Acquisitions	10,935	
Fellowships	1,000	
	295,093	
Project support costs	23,433	
	318,526	
Total expenditure		617,777
Excess of income over expenditure		36,631

II. Statement of assets and liabilities as at 31 December 1991

Assets		
Accounts receivable		18,453
Due from UNIDO General Fund		514,669
Total assets		533,122
Liabilities		
Unliquidated obligations		134,550
Total liabilities		134,550
Fund balance		
Balance available 1 January 1990		361,941
Add: net excess of income over expenditure		36,631
Balance available 31 December 1991		398,572
Total liabilities and fund balance		533,122

Annex V

RESERVE FOR REPORTING

(In United States dollars)

I. Statement of income and expenditure for the biennium 1990-1991

Income	
Income	365,734
Total income	365,734
Expenditure	
Salaries and other personnel costs	620,378
Contractual services	1,826
Operating expenses	4,188
Total expenditure	626,392
Excess of income over expenditure	(260,658)

II. Statement of assets and liabilities as at 31 December 1991

Assets	
Due from General Fund	-
Total assets	-
Liabilities	
Unliquidated obligations	-
Total liabilities	-
Fund balance	
Balance available 1 January 1990	405,245
Add: Net excess of income over expenditure	(260,658)
Deduct: Transfer to operational budget	144,587
Balance available 31 December 1991	-
Total liabilities and fund balance	-

Annex VI

ESTIMATES OF CONTINGENT LIABILITIES FOR END-OF-SERVICE PAYMENT FOR UNIDO STAFF

In accordance with the decisions taken by the Panel of External Auditors in 1989 in Manila, UNIDO calculated that the following amounts would be required to cover the estimated costs of contingent liabilities for end-of-service payment in the 1990-1991 biennium: regular budget - $63 million; operational budget - $17 million. It should be noted that no budgetary provision has been made except that in case of the operational budget as reflected in Statement VI of accounts (operating reserve), there is a contingent reserve of $5.5 million.